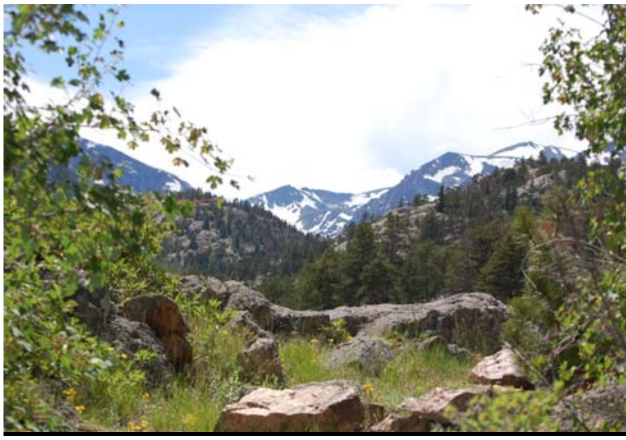

Focus Colorado: Economic And Revenue Forecast

Colorado Legislative Council Staff
Economics Section

June 20, 2012

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Photograph captures Moraine Park, courtesy of Christie Lee

Highlights

- The nation's **economy** has slowed and Colorado's economy is expected to follow suit in 2012. The manufacturing sector and real estate market are gradually improving. However, gains in employment, income, and consumer spending have slowed as banks, businesses, and households struggle with uncertainty about the European fiscal crisis, the slowing global economy, and U.S. federal fiscal policy.

- The General Fund will end **FY 2011-12** with an estimated surplus of $346.5 million above the required reserve, even after a $59 million transfer to the State Education Fund. This amount is $90.5 million higher than the amount expected in December.

- The **FY 2012-13** General Fund budget is also in balance. There will be enough revenue to transfer an estimated $427.1 million to the State Education Fund pursuant to House Bill 12-1338 at the end of the year.

- The General Assembly will have $490.1 million, or 6.0 percent more to spend in **FY 2013-14** than the amount budgeted for FY 2012-13. This amount does not account for expenditure pressures resulting from inflation and caseload growth.

- The **Senate Bill 09-228** reserve increase and transfers are not expected to occur during the forecast period. Personal income is not expected to increase by at least 5 percent until 2014.

- The **Referendum C Cap** will equal $10.9 billion in FY 2011-12, and revenue subject to TABOR will be $760 million below the cap.

- The **Unemployment Insurance Trust Fund** is expected to regain solvency in FY 2012-13.

EXECUTIVE SUMMARY

This report presents the budget outlook based on the June 2012 economic, General Fund, and cash fund revenue forecasts.

General Fund Overview

Table 1 on page 4 presents the General Fund overview based on current law. Table 3 on pages 6 and 7 lists budgetary measures from the 2009 through 2012 legislative sessions affecting the General Fund overview. Table 7 on pages 13 and 14 lists legislation affecting General Fund revenue.

FY 2011-12. The FY 2011-12 budget is in balance. Revenue is expected to be $346.5 million higher than the amount budgeted to be spent, transferred to the State Education Fund, or retained in the reserve.

FY 2012-13. The FY 2012-13 budget is in balance. Revenue is expected to exceed the amount budgeted to be spent and retained in the reserve by $427.1 million. This amount will be transferred to the State Education Fund pursuant to House Bill 12-1338 (*see line 13 in Table 1*).

FY 2013-14. General Fund revenue will be $490.1 million higher in FY 2013-14 than what would be needed to fund General Fund operating appropriations and the statutorily-required reserve at the same level as is budgeted for FY 2012-13 (because no budget has yet been enacted for FY 2013-14). This amount is equal to 6.0 percent of total budgeted expenditures in FY 2012-13. The $490.1 million figure would be lower if it were adjusted to account for expenditure pressures resulting from inflation and caseload growth.

Senate Bill 09-228 transfers and reserve increase. Senate Bill 09-228 requires a five-year block of increases in the statutory General Fund reserve and transfers to capital construction and transportation as soon as Colorado personal income increases by at least 5 percent during or after calendar year 2012. Colorado personal income is not expected to increase by 5 percent during the forecast period until calendar year 2014. Therefore, this forecast anticipates that the transfers and the reserve increase will occur in FY 2015-16, two-years beyond the current forecast period. Senate Bill 12-168 changed the timing for these General Fund obligations by postponing them by one year relative to what had been required in Senate Bill 09-228. If the obligations had occurred in FY 2012-13, they would have totaled $233.4 million.

Tax polices dependent on sufficient General Fund revenue. Several tax policies are only available when the Legislative Council Staff forecast for General Fund revenue is projected to be sufficient to allow General Fund appropriations to grow by at least 6 percent. Based on the current forecast, revenue will be sufficient for 6 percent appropriations growth in each year of the forecast. Table 2 illustrates the availability of these tax policies. Although revenue is expected to be sufficient

Table 1
June 2012 General Fund Overview
(Dollars in Millions)

		FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
FUNDS AVAILABLE		**Actual**	**Estimate**	**Estimate**	**Estimate**
1	Beginning Reserve	$137.4	$156.9	$627.6	$297.5
2	General Fund Nonexempt Revenue	6,315.2	6,299.5	6,757.8	6,953.5
3	General Fund Exempt Revenue (Referendum C)	770.6	1,311.9	1,089.5	1,249.8
4	Transfers to Other Funds	0.0	(5.0)	(4.6)	(1.6)
5	Transfers from Other Funds	158.1	143.3	2.1	2.2
6	**Total Funds Available**	**$7,381.3**	**$7,906.6**	**$8,472.4**	**$8,501.4**
7	Percent Change	7.5%	7.1%	7.2%	0.3%
EXPENDITURES		**Budgeted**	**Budgeted**	**Budgeted**	**Estimate /A**
8	General Fund Appropriations	6,823.1	7,027.9	7,438.1	7,438.1
9	Adjustments to Appropriations	0.0	0.0	0.0	0.0
10	Rebates and Expenditures *(Lines 20-28 of Table 6)*	126.0	140.5	152.3	148.0
11	Reimbursement for Senior and Disabled Veterans Property Tax Cut	1.6	1.7	96.0	102.6
12	Capital Construction Transfers	12.0	50.0	61.4	25.1
13	Transfers to the State Education Fund and State Public School Fund /B	288.9	59.0	427.1	0.0
14	Accounting Adjustments	(27.2)	NE	NE	NE
15	**Total Expenditures**	**$7,224.4**	**$7,279.1**	**$8,174.9**	**$7,713.8**
16	Percent Change	7.4%	0.8%	12.3%	-5.6%
BUDGET SUMMARY		**Actual**	**Estimate**	**Estimate**	**Estimate /A**
17	**Amount Available for Expenditure** *(Line 6 minus Line 22)*	**7,224.4**	**7,625.5**	**8,174.9**	**8,203.9**
18	Dollar Change	492.9	401.1	549.4	29.0
19	Percent Change	7.3%	5.6%	7.2%	0.4%
RESERVE		**Budgeted**	**Budgeted**	**Budgeted**	**Estimate /A**
20	Year-End General Fund Reserve	156.9	627.6	297.5	787.6
21	Year-End Reserve As A Percent of Appropriations	2.3%	8.9%	4.0%	10.6%
22	Statutorily-Required Reserve	156.9	281.1	297.5	297.5
23	Reserve in Excess or (Deficit) of Statutory Reserve	$0.0	$346.5	$0.0	$490.1
24	*Percent Change in General Fund Appropriations*	*2.9%*	*3.0%*	*5.8%*	*NE*
25	Addendum: TABOR Reserve Requirement	282.7	303.4	309.9	324.9
26	Addendum: 5% of Colorado Personal Income Appropriations Limit	10,797.6	10,271.9	10,660.1	11,279.6
27	Addendum: Amount Directed to State Education Fund Per Amendment 23	370.5	407.5	420.6	445.5

Totals may not sum due to rounding. NE = Not Estimated.

/A Because the budget for FY 2013-14 has not yet been enacted, this analysis assumes General Fund appropriations as budgeted for FY 2012-13 (line 8) will occur in FY 2013-14. Therefore, line 23 shows the amount of money available for expenditure in FY 2013-14 above the amount budgeted to be spent in FY 2012-13.

/B These transfers are pursuant to SB 11-156 and HB 12-1338.

in FY 2011-12, the following tax policies are not available in tax year 2012 or beginning January 2012 because their availability was determined by the December 2011 forecast:

- child care contribution income tax credit;
- historical property preservation income tax credit; and
- clean technology medical device sales tax refund.

Based on the current forecast, the following tax credits and exemptions are expected to be available beginning on the date indicated through the end of the forecast period:

- instream flow income tax credit (starting tax year 2012);
- sales and use tax exemption for clean rooms (starting July 2012);
- child care contribution income tax credit (starting tax year 2013);
- historical property preservation income tax credit (starting tax year 2013); and
- clean technology medical device sales tax refund (starting January 2013).

Table 2
Tax Policies Dependent on Sufficient General Fund Revenue to Allow General Fund Appropriations to Increase by at Least 6 Percent

Tax Policy	Legislative Council Staff Forecast	Expected Tax Policy Availability
Child care contribution income tax credit	No trigger beginning tax year 2013.	Available beginning tax year 2013.
Historic property preservation income tax credit	December forecast immediately before the tax year when the credit becomes available	Available beginning tax year 2013.
Clean technology medical device sales tax refund	December forecast immediately before the calendar year when the credit becomes available.	Available beginning January 2013.
Sales and use tax exemption for clean rooms	If the June forecast indicates sufficient revenue for the fiscal year that is about to end, the exemption will become available in July.	Available beginning July 2012.
Instream flow income tax credit	June forecast during the tax year the credit will become available.	Available in tax years 2012, 2013, and 2014.

Revenue Forecast

The FY 2011-12 forecast for total revenue subject to TABOR increased $129.8 million relative to the March forecast. The forecast for General Fund revenue subject to TABOR increased $133.4 million, while the cash fund forecast decreased $3.6 million. The FY 2012-13 forecast for revenue subject to TABOR increased $117.7 million, with the General Fund revenue forecast rising $186.7 million and the cash fund forecast decreasing $69.1 million.

Table 3
Budgetary Measures Affecting the General Fund Overview
(Dollars in Millions)

Cash Fund Transfers

		2008-09	2009-10	2010-11	2011-12	2012-13
HB 08-1078	Veterans Trust Fund	($2.9)	$ -	$ -	$ -	$ -
SB 09-208	Cash Fund Transfers	221.6	-	-	-	-
SB 09-210	Tobacco Master Settlement Transfers	1.2	2.4	-	-	-
SB 09-264	Maximize ARRA FMAP Increase	-	2.8	0.01	-	-
SB 09-269	Cash Fund Transfers	(1.5)	-	-	-	-
SB 09-269	Tobacco Master Settlement Transfers	13.9	65.0	-	-	-
SB 09-270	Amendment 35 Tobacco Transfers—Interest	6.3	4.0	2.1	2.1	-
SB 09-279	Cash Fund Transfers	114.1	209.4	-	-	-
SB 09-279	Temporary Cash Fund Transfers	458.1	(458.1)	-	-	-
HB 09-1223	Tobacco Master Settlement Transfers	-	0.2	-	-	-
HB 09-1105	Colorado Innovation Investment Transfer	-	0.4	0.4	-	-
HB 10-1323	Tobacco Master Settlement Transfers	-	3.3	9.5	-	-
HB 10-1325	Natural Resource Damage Recovery Fund	-	0.2	0.136	0.156	0.156
HB 10-1327	Cash Fund Transfers	-	84.7	-	-	-
HB 10-1383	CollegeInvest Transfer	-	29.8	-	-	-
HB 10-1388	Cash Fund Transfers	-	-	3.8	1.1	-
HB 10-1389	Capital Construction Transfers	-	19.1	10.4	-	-
SB 11-161	Diversion to the Laboratory Cash Fund	-	-	0.0	(0.01)	(0.02)
SB 11-163	Repeal Alternative Fuels Rebate Program	-	-	1.7	-	-
SB 11-164	Cash Fund Transfers	-	-	123.4	-	-
SB 11-210	Supp. Old Age Health and Medical Care Fund	-	-	-	0.7	-
SB 11-219	Health Care Clinics	-	-	-	(1.0)	-
SB 11-222	Federal Mineral Lease Transfer	-	-	1.1	-	-
SB 11-224	Tobacco Litigation Settlement Cash Fund	-	-	-	0.8	1.7
SB 11-225	Innovative Health Program Funds	-	-	-	1.8	0.2
SB 11-226	Transfers to Augment General Fund	-	-	5.5	127.4	-
SB 12-114	Conditional Transfer of Tobacco Settlement /A	-	-	-	-	-
HB 12-1286	Transfer for Film Incentives	-	-	-	-	(3.0)
HB 12-1315	Clean Renewable Energy Fund	-	-	-	-	(1.6)
HB 12-1343	State Rail Bank Fund	-	-	-	9.3	-
HB 12-1360	Colorado Economic Development Fund /B	-	-	-	(4.0)	-
Transfers to the General Fund		$815.2	$421.2	$158.1	$143.3	$2.1
Transfers from the General Fund		($4.4)	($458.1)	$0.0	($5.0)	($4.6)

Table 3 continues on next page

Table 3 *(continued)*
Budgetary Measures Affecting the General Fund Overview
(Dollars in Millions)

General Fund Expenditure Impacts /C

		2008-09	2009-10	2010-11	2011-12	2012-13
SB 09-227	Postpone Fire and Police Pension Payments	($25.3)	($25.3)	($25.3)	$ -	$ -
SB 09-259	Reduce Volunteer Firefighter Pensions	(0.1)	-	-	-	-
SB 09-276	Suspend Senior Property Tax Exemption	-	(87.3)	-	-	-
SB 10-190	Suspend Senior Property Tax Exemption	-	-	(91.5)	(95.2)	-
HB 10-1389	Reduce CERF Capital Construction Transfers	-	1.8	-	-	-
	Medicaid Payment Delay	-	(28.0)	28.0	-	-
SB 11-156	Transfers to the SEF and Public School Fund	-	-	288.9	-	-
SB 11-210	Eliminate Diversion to Supp. Old Age Health Fund	-	-	-	-	(2.85)
SB 11-221	Postpone Fire and Police Pension Payments	-	-	-	(20.0)	(15.3)
HB 12-1326	Conditional Transfer to Older Coloradans Fund	-	-	-	-	4.5
HB 12-1326	Old Age Pension Program Set Aside	-	-	-	-	6.7
HB 12-1338	Transfers to the State Education Fund	-	-	-	59.00	427.1
Total Expenditure Measures		**($25.4)**	**($138.8)**	**$200.1**	**($56.2)**	**$420.0**

Statutory Reserve Impacts

		2008-09	2009-10	2010-11	2011-12	2012-13
SB 09-219	FY 08-09 Statutory Reserve Reduction	($148.2)	$ -	$ -	$ -	$ -
SB 09-277	FY 09-10 Statutory Reserve Reduction	-	(149.1)	-	-	-
SB 11-156	FY 10-11 Reserve Reduction & SEF Transfer	-	-	(116.0)	-	-
Total Revenue Impact		**($148.2)**	**($149.1)**	**($116.0)**	**$0.0**	**$0.0**

/A This diversion from the Tobacco Settlement Litigation Fund of up to $12 million in FY 2012-13 is conditional on the receipt of disputed tobacco Master Settlement Agreement payments.

/B The $4 million transfer from the General Fund to the Economic Development Fund is conditional on an increase in the OSPB FY 2011-12 General Fund revenue forecast between March 2012 and June 2012 of at least $4 million.

/C Excludes budgetary measures affecting General Fund operating appropriations.

- After increasing 9.7 percent in FY 2010-11, **General Fund revenue** will increase 7.4 percent in FY 2011-12 and 3.1 percent in FY 2012-13. The forecast for both years was revised up compared with March's expectations because of slightly higher collections than expected from the income and sales tax during FY 2011-12. Expectations for revenue growth in FY 2012-13 were not altered significantly, but the forecast went up because the growth was applied to a higher amount.

- After increasing 13.3 percent in FY 2010-11, **cash fund revenue** subject to TABOR will increase 6.8 percent in FY 2011-12 before decreasing 0.7 percent in FY 2012-13. Compared with the March forecast, expectations for cash fund revenue were largely unchanged for this year, decreasing only $3.6 million. The forecast for cash fund revenue in FY 2012-13, however, decreased $69.1 million, primarily because of lower expectations for severance taxes collected from the extraction of oil and gas.

- The **Unemployment Insurance Trust Fund** is expected to regain solvency in FY 2012-13. Unemployment benefits are falling off and premium rates have been increasing because of the low fund balance in recent years. As the fund balance recovers, however, rates for 2014 and beyond are expected to fall. House Bill 11-1288 began increasing premium revenue this year by increasing the employee wage base upon which employer unemployment insurance payments are made.

- The state has retained a total of $4.36 billion since the beginning of **Referendum C** in FY 2005-06 through FY 2010-11. This year the state is expected to retain more than $1.3 billion. Table 4 presents the history and forecast for revenue retained by Referendum C.

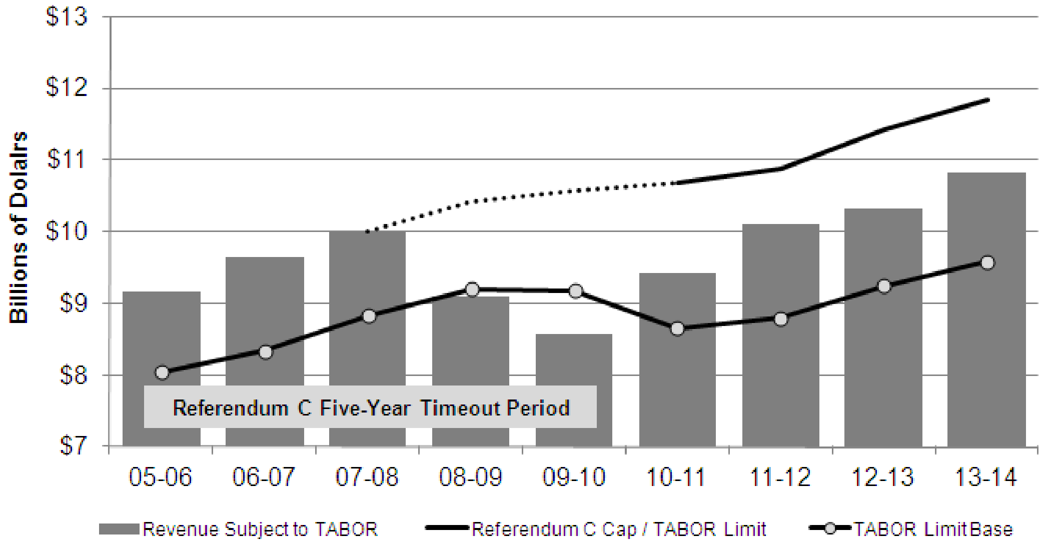
- Figure 1 shows TABOR revenue and the Referendum C cap through the end of the forecast period, which extends four years beyond the Referendum C timeout period. The Referendum C cap will equal $10.9 billion in FY 2011-12. Revenue subject to TABOR will be $760 million below the cap. Revenue will not be sufficient to produce a **TABOR refund** through at least FY 2013-14, the end of the forecast period. Table 5 on page 10 shows estimates for TABOR revenue, the TABOR Limit/Referendum C cap, and revenue retained as a result of Referendum C during the forecast horizon.

- During the decade between 2000 and 2010, the federal government overestimated Colorado's population. TABOR requires the limit to be adjusted each decade in accordance with the Census count. Therefore, the population growth rate used to calculate the FY 2011-12 limit is only 0.1 percent and reflects a **downward population adjustment** estimated at 1.3 percentage points.

Table 4
History and Projections of Revenue Retained by Referendum C
(Dollars in Millions)

Actual	
FY 2005-06	$1,116.1
FY 2006-07	$1,308.0
FY 2007-08	$1,169.4
FY 2008-09	$0
FY 2009-10	$0
FY 2010-11	$770.6
Projections	
FY 2011-12	$1,311.9
FY 2012-13	$1,089.5
FY 2013-14	$1,249.8

Figure 1
TABOR Revenue, the TABOR Limit Base, and the Referendum C Cap



Source: Colorado State Controllers Office and Legislative Council Staff.

National Economy

After gaining momentum at the end of 2011, the U.S. economy has slowed. Many indicators that were seeing moderate growth towards the end of 2011 have now decelerated. These include employment, personal income, and consumption. However, the housing market has begun to recover as foreclosures slow and credit markets have loosened slightly. Additionally, manufacturing is still expanding, helping sustain modest overall growth.

Most economic sectors continue to see some growth, but at a slow rate as people struggle with uncertainty related to federal fiscal policy and international economic conditions. Much of southern Europe is in recession, and northern European countries such as Germany and France are growing at very slow rates. The world waits as Greece's position in the European Union remains uncertain and Spain suffers from a financial crisis stemming from an overheated housing industry. The potential crumbling of the Eurozone has domestic banks cautious, keeping credit markets tight and placing downward pressure on economic growth.

Colorado Economy

Colorado's economy continues to slowly improve. Employment, income and consumption are all increasing. The housing sector is improving as more homes sell and prices have begun to stabilize. The agricultural sector has had two strong years, bolstering the rural areas of the state, and despite some drought conditions around the state, is expected to continue to grow. However, global and national economic conditions are slowing growth and Colorado is not insulated from these issues. Demand from outside the state for Colorado products has weakened and the weak national labor market and economic uncertainty will constrain Colorado wage and job growth in the future.

Table 5
June 2012 TABOR Revenue Limit and Retained Revenue
(Dollars in Millions)

		Actual FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14
	TABOR Revenue:				
1	General Fund /A	$7,057.7	$7,582.5	$7,818.2	$8,174.0
2	Cash Funds	2,367.1	2,529.2	2,511.1	2,657.4
3	**Total TABOR Revenue**	**$9,424.8**	**$10,111.7**	**$10,329.2**	**$10,831.4**
	Revenue Limit				
4	Allowable TABOR Growth Rate	1.2%	2.0%	5.0%	3.7%
5	Inflation (from prior calendar year)	-0.6%	1.9%	3.7%	2.3%
6	Population Growth (from prior calendar year) /B	1.8%	0.1%	1.3%	1.4%
7	TABOR Limit Base	$8,654.2	$8,799.7	$9,239.7	$9,581.6
8	Voter Approved Revenue Change (Referendum C)	$770.6	$1,311.9	$1,089.5	$1,249.8
9	Total TABOR Limit / Referendum C Cap	$10,684.9	$10,871.0	$11,414.6	$11,836.9
	Retained/Refunded Revenue				
10	Revenue Retained under Referendum C /C	$770.6	$1,311.9	$1,089.5	$1,249.8
11	**Total Available Revenue**	**$9,424.8**	**$10,111.7**	**$10,329.2**	**$10,831.4**
12	Revenue to be Refunded to Taxpayers	$0.0	$0.0	$0.0	$0.0

Totals may not sum due to rounding.

/A These figures differ from the General Fund revenues reported in other tables because they net out revenue that is already in the cash funds to avoid double counting and include transfers of revenue from TABOR enterprises into TABOR district boundaries.

/B The population growth rate used to calculate the FY 2011-12 limit reflects a downward adjustment of about 1.3 percentage points for an overcount of population during the decade between 2000 and 2010.

/C Revenue retained under Referendum C is referred to as "General Fund Exempt" in the budget and the General Fund Overview.

GENERAL FUND REVENUE

After two consecutive years of revenue declines totalling nearly $1.3 billion, General Fund revenue began to recover in FY 2010-11. The forecast expects slow but continual improvement for the state's main source for general operating. General Fund revenue is projected to increase 7.4 percent in FY 2011-12 and 3.1 percent in FY 2012-13. Revenue will reach prerecession levels in FY 2012-13.

General Fund revenue growth was aided by the state's economic recovery and revenue augmenting legislation passed during the 2009 and 2010 legislative sessions. It is estimated that about 35 percent of the increase in FY 2010-11 was the result of this legislation. Table 6 on page 12 illustrates actual revenue collections for FY 2010-11 and the projections for FY 2011-12 through FY 2013-14. A list of legislation affecting General Fund revenue from the 2009 through 2012 legislative sessions is shown in Table 7 on pages 13 and 14.

Compared with the March forecast, General Fund revenue for the current fiscal year increased by $133.4 million, or 1.8 percent. This difference is primarily because of lower year-to-date income tax refund payments and higher state sales tax collections. The forecast for General Fund revenue also increased by $186.9 million in FY 2012-13 and $118.2 million in FY 2013-14 compared with the March forecast. The increase was mainly due to upward revisions in the forecasts for sales tax and individual and corporate income taxes.

Sales taxes from the General Fund are expected to continue growing, but at a slower rate as certain sales tax exemptions are set to expire at the end of the current fiscal year. The June 2012 forecast shows sales taxes increasing 1.4 percent in FY 2011-12 and 0.5 percent in FY 2012-13. The lower sales tax growth rate in FY 2012-13 is a result of certain sales tax exemptions being reinstated starting July 1, 2012. These exemptions include the sales tax exemption for industrial energy and the exemption for software, which were both suspended to raise general fund revenue in previous legislative sessions. A more detailed list of legislation impacting sales tax revenue is found on Table 7 on page 13.

Compared with the previous forecast, the sales tax forecast was increased by $23.4 million in FY 2011-12 and $15.4 million in FY 2012-13, reflecting higher year-to-date collections in FY 2011-12 and moderate economic growth the following year.

Retail trade is expected to grow in 2012 and 2013, but at a slower rate than in 2011. Through February 2012, the most recent data available, Colorado sales tax collections have shown strong growth in auto sales and the value of gasoline sold. Gains in the state's retail sales have been stronger than gains in national sales during this period.

After rebounding sharply from a recessionary low in FY 2010-11, revenue from **use tax** is expected to increase, but at a moderate pace. Use tax will grow 5.4 percent in FY 2011-12 and 4.2 percent in FY 2012-13. Compared with the March forecast, the outlook for use tax revenue is slightly higher in FY 2011-12 and FY 2012-13.

Individual income tax collections continue to show strong growth in FY 2011-12. However, slow job and wage growth is expected to slow the rate of growth in individual income tax collections

Table 6
June 2012 General Fund Revenue Estimates
(Dollars in Millions)

	Category	Actual FY 2010-11	Percent Change	Estimate FY 2011-12	Percent Change	Estimate FY 2012-13	Percent Change	Estimate FY 2013-14	Percent Change
1	Sales	$2,043.5	12.0	$2,071.8	1.4	$2,083.2	0.5	$2,158.2	3.6
2	Use	190.1	22.0	200.3	5.4	208.8	4.2	219.2	5.0
3	Cigarette	39.3	-3.8	39.4	0.3	38.6	-1.9	37.9	-2.0
4	Tobacco Products	13.8	-14.2	15.4	11.6	15.9	3.4	12.6	-21.2
5	Liquor	36.4	2.8	38.0	4.4	38.3	0.7	39.2	2.4
6	TOTAL EXCISE	$2,323.1	12.1	$2,365.0	1.8	$2,384.8	0.8	$2,467.0	3.4
7	Net Individual Income	$4,496.1	10.1	$4,958.1	10.3	$5,131.1	3.5	$5,429.5	5.8
8	Net Corporate Income	393.9	5.9	439.2	11.5	448.5	2.1	477.2	6.4
9	TOTAL INCOME TAXES	$4,890.0	9.7	$5,397.3	10.4	$5,579.5	3.4	$5,906.7	5.9
10	Less: Portion diverted to the SEF	-370.5	12.6	-407.5	10.0	-420.6	3.2	-445.5	5.9
11	INCOME TAXES TO GENERAL FUND	$4,519.5	9.5	$4,989.8	10.4	$5,159.0	3.4	$5,461.2	5.9
12	Estate	-0.1	NA	0.0	NA	45.0	NA	94.0	108.9
13	Insurance	189.6	1.5	196.4	3.5	206.2	5.0	219.8	6.6
14	Pari-Mutuel	0.5	-0.4	0.6	5.8	0.5	-7.8	0.5	-8.8
15	Investment Income	7.9	-21.6	13.2	66.4	9.3	-29.1	11.8	26.4
16	Court Receipts	3.6	-80.0	2.1	-41.1	0.9	-57.1	0.7	-22.2
17	Gaming	20.4	25.9	20.2	-0.8	20.4	0.9	20.5	0.4
18	Other Income	21.280	-18.1	24.2	13.6	21.2	-12.4	21.7	2.7
19	TOTAL OTHER	$243.3	-5.6	$256.6	5.5	$303.5	18.3	$275.0	-9.4
	GROSS GENERAL FUND	**$7,085.8**	**9.7**	**$7,611.4**	**7.4**	**$7,847.3**	**3.1**	**$8,203.3**	**4.5**
	REBATES & EXPENDITURES:								
20	Cigarette Rebate	$11.0	-5.3	$11.5	4.6	$11.3	-1.9	$11.1	-2.0
21	Old-Age Pension Fund	91.3	-12.6	99.1	8.5	105.0	6.0	89.9	-14.4
22	Aged Property Tax & Heating Credit	6.8	-10.0	7.6	12.0	7.6	-1.0	7.5	-1.0
23	Older Coloradans Fund	8.0	0.0	8.0	0.0	12.5	56.1	8.0	-35.9
24	Old Age Supplemental Medical Care Fund	2.9	0.0	2.9	0.0	0.0	-100.0	0.0	0.0
25	Interest Payments for School Loans	0.8	-64.1	0.7	-16.3	0.5	-29.1	0.6	26.4
26	Fire and Police Pension Association	4.3	1.3	9.8	127.4	14.6	49.0	30.0	105.9
27	Amendment 35 GF Expenditures	0.9	9.2	0.9	0.2	0.9	0.9	0.9	-1.4
28	TOTAL REBATES & EXPENDITURES	$126.0	-11.2	$140.5	11.5	$152.3	8.4	$148.0	-2.8

Totals may not sum due to rounding. NA = not applicable.
SEF = State Education Fund.

Table 7
Legislation Affecting General Fund Revenue
(Dollars in Millions)

General Fund Revenue Impacts

		2008-09	2009-10	2010-11	2011-12	2012-13
Sales Taxes						
SB 09-121	Taxation of Restaurant Employee Meals	$ -	($0.4)	($0.4)	($0.4)	($0.4)
SB 09-212	Temporarily Repeal Vendor Fee — Part 1	16.1	37.5	19.7	-	-
SB 09-275	Temporarily Repeal Vendor Fee — Part 2	-	25.5	46.6	-	-
HB 09-1035	Clean Technology/Medical Device Refund /A	-	-	-	-	-
HB 09-1126	Exemption for Solar Thermal Installation	-	(0.3)	(0.3)	(0.3)	(0.3)
HB 09-1342	Temporarily Repeal Cigarette Exemption	-	31.0	32.0	-	-
HB 10-1189	Repeal Exemption for Direct Mail	-	0.1	0.3	0.3	0.3
HB 10-1190	Temporarily Repeal Exemption for Industrial Energy	-	7.2	37.6	36.9	-
HB 10-1191	Repeal Exemption for Candy and Soda	-	1.4	16.0	16.0	17.8
HB 10-1192	Repeal Software Regulation	-	4.6	18.9	20.2	21.9
HB 10-1193	Sales/Use Taxes and Out-of-State Retailers	-	0.02	0.20	0.20	0.20
HB 10-1194	Repeal Exemption for Food Containers	-	0.4	2.0	2.0	2.0
HB 10-1195	Temporarily Repeal Exemption for Agricultural Products	-	0.9	3.4	3.7	3.7
SB 11-223	2.22% Vendor Fee until July 1, 2014	-	-	-	23.6	24.5
SB 11-263	Medical Products Sales Tax Exemption	-	-	-	(0.2)	(0.3)
HB 11-1005	Reinstate Exemption for Agricultural Products	-	-	-	(3.7)	(3.7)
HB 11-1265	Sales and Tax Refund Claims	-	-	-	(19.1)	(6.0)
HB 11-1293	Reinstate Exemption for Software	-	-	-	-	(21.9)
HB 11-1296	Continue State Sales Tax on Cigarettes	-	-	-	27.6	26.3
HB 12-1045	Extend and Expand Beetle Kill Sales Tax Exemption	-	-	-	-	(0.0)
HB 12-1037	Classify Agricultural Products As Wholesale Sales	-	-	-	-	(0.1)
H.R. 4853 /D	Payroll Tax Rate Reduction	-	-	14.0	14.0	-
Total Sales Taxes		*$16.1*	*$108.0*	*$190.0*	*$120.7*	*$64.1*

Table 7 Continues on Next Page

during FY 2012-13 and FY 2013-14. The June forecast shows revenue from individual income taxes increasing 10.1 percent in FY 2011-12, 3.5 percent in FY 2012-13, and 5.8 percent in FY 2013-14.

Compared with the March forecast, individual income tax revenue increased by $91.2 million for FY 2011-12. The increase was primarily due to lower than expected refunds. The FY 2012-13 forecast was revised upward by $158.2 million. This is due to the higher expectations for revenue from estimated tax payments, as investors prepare for a scheduled increase in the tax rate for capital gains and dividends on January 1, 2013.

General Fund revenue from **corporate income** tax collections is projected to be $439.5 million in FY 2011-12, an 11.5 percent increase compared with the prior year. Corporate income tax revenue is expected to rise another 2.1 percent in FY 2012-13 and 6.4 percent in FY 2013-14. This pattern of projected corporate tax collections over the forecast period is the result, in part, of a federal law that reduces corporate taxable income in FY 2010-11 and FY 2011-12, but increases it in later years. The law accelerates both the depreciation of business equipment for tax purposes and allows businesses to deduct a larger amount of qualifying equipment

Table 7 *(continued)*
Legislation Affecting General Fund Revenue
(Dollars in Millions)

Income Taxes		**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
HB 09-1001	Tax Credit for Job Growth	-	($2.9)	($8.6)	($13.8)	($18.1)
HB 09-1067	In-Stream Flow Tax Credit /A	-	-	(1.0)	(2.0)	(2.00)
HB 09-1105	Colorado Innovation Investment Tax Credit /B	-	-	-	-	-
HB 09-1331	Tax Incentives for Fuel Efficient Vehicles	-	1.8	5.2	1.9	(5.4)
HB 09-1366	Capital Gains Deduction	-	7.1	15.8	15.9	16.0
SB 10-001	PERA-Reduction in Income Taxes	-	(1.0)	(2.1)	(1.3)	(1.3)
SB 10-146	PERA Contribution Rates—Reduction in Income Taxes	-	-	(1.1)	-	-
HB 10-1055	Penalty Fees—Increase in Income Taxes	-	-	1.5	3.0	3.0
HB 10-1196	Modify Tax Incentives for Fuel Efficient Vehicles	-	-	2.7	2.7	-
HB 10-1197	Limit Conservation Easement Credits	-	-	18.5	37.0	37.0
HB 10-1199	Modify Deduction for Net Operating Loss	-	-	8.2	16.5	16.5
HB 10-1200	Limit Enterprise Zone Investment Tax Credit	-	-	4.0	8.0	8.3
SB 11-076	PERA - Reduction in Income Taxes	-	-	-	(1.8)	-
HB 11-1014	Child Care Contribution Tax Credit	-	-	-	-	11.7
HB 11-1045	Colorado Innovation Investment Tax Credit /A	-	-	(0.1)	(0.1)	-
HB 11-1081	Propane Vehicles Included in Credit /C	-	-	-	-	-
HB 11-1300	Conservation Easement Tax Credit	-	-	2.0	4.0	(2.0)
HB 12-1273	Add Approved Facility School To Child Care Credit	-	-	-	-	(0.7)
HB 12-1042	Income Tax Credit For Estate Taxes On Ag Land /E	-	-	-	-	-
H.R. 4853 /D	Accelerated Expensing and Bonus Depreciation	-	-	(70.1)	(98.1)	(25.4)
Total Income Taxes		*0.0*	*5.0*	*(25.2)*	*(28.1)*	*37.6*
Estate Taxes						
H.R. 4853 /D	Reinstates Federal Credit for State Estate Taxes	-	-	-	-	45.0
Pari-mutuel Taxes						
SB 09-174	Horse and Greyhound Racing Regulation	-	0.2	0.2	0.2	0.2
Insurance Premium Taxes						
SB 09-259	Cash Fund the Division of Insurance	-	2.5	2.5	2.5	2.5
Total State Revenue Measures		**$16.1**	**$115.7**	**$167.5**	**$95.3**	**$149.4**

/A These bills are effective only during years in which General Fund revenue is sufficient to allow General Fund appropriations to increase 6 percent. The trigger is removed from the Child Care Contribution credit beginning tax year 2013. Please see the executive summary for a list of these incentives that will be available during the forecast period.

/B HB 09-1105 has a net impact of $0 to the General Fund.

/C HB 11-1081 begins to impact revenue in FY 2013-14.

/D Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

/E This bill is conditional on the enactment of legislation by congress to delay the sunset of Economic Growth and Tax Relief Reconciliation Act (EGTRRA) to a date beyond December 31, 2012, and that, in so doing, the state tax credit remains in federal law after the sunset of EGTRRA.

investments as an expense in tax year 2012. This also means, however, that businesses will have fewer equipment deductions in future years than they otherwise would have. Thus, corporate income tax revenue will be increased more than it normally would have been in both FY 2012-13 and FY 2013-14

Compared with the March forecast, corporate income tax forecast increased by $23.8 million in FY 2011-12 and $25.0 million in FY 2012-13, reflecting higher year-to-date collections in the current year and moderate economic growth the following year.

The **State Education Fund** receives one -third of one percent of taxable income from state income tax returns. This fund will see growth in revenue similar to income taxes. After receiving $370.5 million in FY 2010-11, it will receive $407.5 million in FY 2011-12 and $420.6 million in FY 2012-13.

The **tax amnesty program,** enacted by Senate Bill 11-184, will result in the collection of additional income tax and sales tax revenue. Through May, the tax amnesty program has collected a total of $16.7 million from the following revenue sources:

- $11.3 million from state sales, use, and income taxes;
- $3.8 million from state oil and gas severance taxes; and
- $1.6 million from local government sales and use taxes.

Of the $11.3 million collected from state income, sales, and use taxes, $9.6 million was transferred to the State Education Fund. The remaining $1.7 million was either retained by the Department of Revenue for administrative expenses related to the program and to prepare biennial tax profile and expenditure reports or reserved for the family medicine residency training program in the Department of Health Care Policy and Finance.

Under current law, Colorado will collect an **estate tax** beginning in FY 2012-13 for the first time since 2005. Estate tax revenue is expected to be $45 million in FY 2012-13, which represents a half year of revenue collections. Estate tax revenue will increase to $94 million in the following fiscal year.

The estate tax is levied on the taxable estate of a deceased person. In 2001, Congress passed the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), which phased out the federal estate tax through 2009. EGTRRA replaced the state tax credit with a deduction beginning in 2005, effectively eliminating Colorado's estate tax. Until 2005, the federal government allowed a credit that reduced estate taxes owed to the federal government by the amount of estate taxes paid to a state. Colorado's tax is equal to the maximum amount allowed for this credit and thus does not change a taxpayer's overall liability. In December 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law. This Act extended the EGTRRA provisions for an additional two years through 2012, including the repeal of the federal estate tax. In addition, the Act unset *all* provisions of EGTRRA on January 1, 2013. At that time, the federal estate tax credit structure as it was prior to the enactment of EGTRRA will be reinstated, including the state estate tax credit if there are no other fiscal changes in 2013.

Therefore, under current law, Colorado will collect an estate tax for deaths occurring on and after January 1, 2013. However, it is possible that Congress may choose to extend the provisions of EGTRRA further into the future, or repeal the federal tax credit for estate taxes paid to states. If Congress does so, this revenue will not be collected.

CASH FUND REVENUE

Table 8 summarizes the forecast for revenue to cash funds subject to TABOR. The largest sources of this revenue are fuel taxes and other transportation-related revenue, the hospital provider fee, severance taxes, and gaming taxes. The end of this section also presents the forecasts for federal mineral leasing and unemployment insurance revenue. These forecasts are presented separately because they are not subject to TABOR restrictions.

Cash fund revenue subject to TABOR will total $2.53 billion in FY 2011-12, representing an increase of 6.8 percent over FY 2010-11. The increase is mostly attributable to the projected increase in revenue from the hospital provider fee and severance taxes compared with the previous year. Growth in these cash funds will offset the decline in insurance-related revenue attributable to 2009 legislation that reduced workers compensation-related premiums. Gaming revenue, capital construction related funds, and other cash funds are also projected to decline in FY 2011-12. Cash fund revenue will decrease 0.7 percent to $2.51 billion in FY 2012-13, as severance tax revenue is projected to plummet due to the decline in natural gas prices.

Continued declines in the Highway Users Tax Fund and slowing growth in the State Highway Fund, other transportation funds, and registration related funds has resulted in slow growth of 0.6 percent for ***transportation-related*** cash funds in FY 2011-12. This trend of slow growth is expected to continue through the forecast period. Forecasts for transportation-related cash funds are shown in Table 9 on page 19.

Total revenue to the *Highway Users Tax Fund (HUTF)* is expected to decrease 1.2 percent in FY 2011-12. Revenue from late registration fees is expected to decline 24 percent in FY 2011-12. While this is an improvement from the March forecast, it does not offset the decline in motor fuel revenue. HUTF revenue growth is expected to be modest through the balance of the forecast period.

House Bill 10-1387 extended the diversion of revenue from various drivers license and permit fees from the HUTF to the Licensing Services Cash Fund for two additional fiscal years. **Senate Bill 09-274** initially diverted these funds in FY 2009-10. The diversion will boost revenue to *other transportation revenue* and reduce revenue by the same amount to *other HUTF receipts* in FY 2010-11 and FY 2011-12.

Total revenue to the *State Highway Fund* declined 19.8 percent to $42.6 million in FY 2010-11 mainly due to heavy losses in local grants. As the economy has begun to recover local grants have rebounded, and revenue to the fund is expected to grow 25.2 percent FY 2011-12. In FY 2012-13 and 2013-14, modest growth is expected as interest payments remain low due to low interest rates. Because of the volatility of local grants, swift declines in revenue could occur if the Colorado recovery stalls.

Another large risk to the State Highway Fund forecast is that Congress has yet to approve a multi-year federal transportation funding program. The current extension of SAFETEA-LU is set to expire on June 30, 2012. In recent months, congress has introduced several bills hoping to shore up transportation funding, but to date nothing has been adopted. Future federal transportation funding will have an effect on the *State*

Table 8
June 2012 Cash Fund Revenue Subject to TABOR Estimates
(Dollars in Millions)

	Actual FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR *
Transportation-Related	**$1,082.7**	**$1,088.9**	**$1,098.8**	**$1,128.0**	
% Change	2.2%	0.6%	0.9%	2.7%	**1.4%**
Hospital Provider Fee	**$442.6**	**$586.6**	**$643.4**	**$607.7**	
% Change	46.1%	32.5%	9.7%	-5.5%	**11.2%**
Severance Tax	**$149.4**	**$190.5**	**$83.1**	**$194.2**	
% Change	209.6%	27.6%	-56.4%	133.8%	**9.1%**
Gaming Revenue /A	**$98.0**	**$94.6**	**$102.6**	**$107.2**	
% Change	-3.2%	-3.5%	8.5%	4.5%	**3.0%**
Insurance-Related	**$26.5**	**$21.5**	**$22.2**	**$23.8**	
% Change	-38.3%	-38.8%	2.0%	1.8%	**-3.5%**
Regulatory Agencies	**$69.6**	**$67.2**	**$69.3**	**$70.3**	
% Change	3.3%	-0.8%	1.5%	1.5%	**0.4%**
Capital Construction Related - Interest /B	**$3.0**	**$1.2**	**$1.2**	**$1.2**	
% Change	-8.1%	-59.3%	1.3%	-6.2%	**-27.2%**
Other Cash Funds	**$495.4**	**$478.6**	**$490.5**	**$525.0**	
% Change	6.7%	-3.4%	2.5%	7.0%	**2.0%**
Total Cash Fund Revenue	**$2,367.1**	**$2,529.2**	**$2,511.1**	**$2,657.4**	
Subject to the TABOR Limit	13.3%	6.8%	-0.7%	5.8%	**3.9%**

Totals may not sum due to rounding.

**CAAGR: Compound Average Annual Growth Rate.*

/A Gaming revenue in this table does not include revenue from Amendment 50, which expanded gaming limits, because it is not subject to TABOR.

/B Includes interest earnings to the Capital Construction Fund, the Controlled Maintenance Trust Fund, and transfers from the Canteen Fund into TABOR.

Table 9
Transportation Funds Revenue Forecast by Source, June 2012
(Dollars in Millions)

	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR *
Highway Users Tax Fund (HUTF)					
Motor Fuel and Special Fuel Taxes	$557.2	$549.1	$555.1	$562.3	0.3%
% Change	2.6%	-1.5%	1.1%	1.3%	
Total Registrations	$322.1	$319.9	$321.3	$324.4	0.2%
% Change	1.4%	-0.7%	0.4%	1.0%	
Registrations	*$185.0*	*$188.7*	*$190.8*	*$193.1*	
Road Safety Surcharge	*$114.5*	*$114.0*	*$114.4*	*$116.0*	
Late Registration Fees	*$22.7*	*$17.2*	*$16.2*	*$15.4*	
Other HUTF Receipts /A	$57.6	$57.1	$81.2	$83.6	13.2%
% Change	-3.0%	-0.9%	42.2%	2.9%	
Total HUTF	**$936.9**	**$926.1**	**$957.6**	**$970.3**	1.3%
% Change	1.8%	-1.2%	3.4%	1.3%	
State Highway Fund	$42.6	$53.3	$53.3	$64.0	14.5%
% Change	-19.8%	25.2%	0.0%	20.0%	
Other Transportation Funds	$103.2	$109.5	$87.9	$93.7	-3.2%
% Change	19.3%	6.1%	-19.7%	6.6%	
Aviation Fund /B	*$36.2*	*$40.9*	*$38.9*	*$43.5*	
Law-Enforcement-Related /C	*$11.0*	*$10.8*	*$11.0*	*$11.2*	
Registration-Related /D	*$56.0*	*$57.8*	*$38.0*	*$38.9*	
Total Transportation Funds	**$1,082.7**	**$1,088.9**	**$1,098.8**	**$1,128.0**	1.2%
% Change	2.2%	0.6%	0.9%	2.7%	

Totals may not sum due to rounding.
**CAAGR: Compound Average Annual Growth Rate.*

/A Includes daily rental fee, oversized overweight vehicle surcharge, interest receipts, judicial receipts, drivers' license fees, and other miscellaneous receipts in the HUTF.

/B Includes revenue from aviation fuel excise taxes and the 2.9 percent sales tax on the retail cost of jet fuel.

/C Includes revenue from driving under the influence (DUI) and driving while ability impaired (DWAI) fines.

/D Includes revenue from Emergency Medical Services registration fees, emissions registration and inspection fees, motorcycle and motor vehicle license fees, and P.O.S.T. Board registration fees.

Addendum: TABOR-Exempt FASTER Revenue

	Preliminary FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	
Bridge Safety Surcharge	$71.3	$100.5	$100.8	$101.4	$96.1
% change	57.6%	40.9%	0.3%	0.6%	

Note: Revenue to the Statewide Bridge Enterprise from the bridge safety surcharge is TABOR-exempt and therefore not included in the table above. It is included as an addendum for informational purposes.

Highway Fund as the majority of revenue to the fund derives from interest earnings on the fund balance, which is comprised of federal funds, as well as revenue from local governments for transportation projects that receive federal matching dollars.

The Bridge Safety Surcharge will increase 40.9 percent in FY 2011-12, as the full fee is implemented. Revenue from the fee is TABOR exempt (see Addendum to Table 9).

The **Hospital Provider Fee** program is expected to generate $586.6 million in FY 2011-12. In FY 2012-13 and FY 2013-14, revenue is expected to be $643.4 and $607.7 million, respectively. The forecast is unchanged since March 2012 because new data have not shown a deviation from previous expectations.

Beginning January 2014, children receiving Medicaid and childless adults will receive 100 percent matches from the Enhanced Federal Medicaid Assistance program. Assistance to childless adults, however, will not occur immediately due to current restrictions on hospital resources. Instead, in FY 2011-12, childless adults will receive 10 percent assistance with medical expenses with a cap of 10,000 people. This program will be expanded in future years, although no current timetable has been set. The forecast also includes a $50 million transfer for FY 2011-12 and a $25 million transfer for FY 2012-13, authorized by SB11-212.

Total **severance tax** revenue, including interest earnings, is projected to be $190.5 million in FY 2011-12, an upward revision of 7.7 percent from the March forecast. Projected oil and natural gas collections for FY 2011-12 were increased from the March forecast, largely based on year-to-date collections, which totaled $167.4 million through May. Projected coal receipts were also revised upward, as were projected molybdenum and metallic mineral receipts. However, total collections in FY 2012-13 are projected to be 32.8 percent lower than the March forecast, primarily due to a continued drop in natural gas prices.

The price of natural gas is the largest determinant of state severance tax collections. In 2011, natural gas spot market prices averaged $4.10 per Mcf (thousand cubic feet). A sharp decline in prices has occurred in the last 10 months, although there was a slight uptick in May. Colorado composite gas prices averaged $4.20 per Mcf in April 2011. In April 2012, prices averaged $2.00 before climbing to $2.40 in May. The price drop will keep average annual prices lower in 2012, and prices are projected to remain below the $4.00 per Mcf level through 2014. The price decline will be compounded by the ad valorem property tax credit, which producers can use to offset their severance tax liability.

Oil prices, which have fallen sharply over the last three months, are expected to stabilize through the remainder of 2012, and gradually increase over the remainder of the forecast period. Colorado oil drilling activity, especially in Weld County, has remained strong. This forecast continues to assume a modest bump in oil production over the next three years as a result of the increased exploration in the Niobrarra formation within the Wattenberg field.

Coal production represents the second largest source of severance taxes in Colorado after oil and natural gas. Relative to the March forecast, June's projected coal severance tax collections for FY 2011-12 rose 20.6 percent to $9.9 million. This revision was primarily the result of year-to-date receipts. In FY 2012-13 and FY 2013-14, collections are expected to increase 0.8 percent and 3.8 percent, respectively. The increase in severance tax revenue from coal production is expected to continue, in part due to higher severance tax rates for coal. The tax rate for coal is based on the producer price index, which has been rising and is expected to continue to rise.

Severance tax from metallic minerals, including gold, represents a tiny fraction of total collections. This revenue source is projected to grow 16.8 percent in FY 2011-12 before increasing more modestly in FY 2012-13 and FY 2013-14.

Finally, projected interest earnings for FY 2011-12 were revised downward relative to the March forecast based on earnings to date. Total severance-related interest earnings are projected to decrease slightly in FY 2012-13. Interest earnings are expected to jump 43.8 percent in FY 2013-14 due to a large, one-time interest payment of $4.0 million from the $60 million Republican River pipeline. Due to the continued structural imbalance in the operational account, interest earnings from this account have been revised downward and are expected to decline further over the three-year forecast period.

Gaming tax revenue includes limited gaming taxes, fees, and interest earnings collected in the Limited Gaming Fund and the Historical Society Fund. Table 10 summarizes the forecast for and the distribution of this revenue. Total gaming tax revenue is expected to decrease 3.5 percent from $107.6 million in FY 2010-11 to $103.9 million in FY 2011-12, before increasing to $112.7 million in FY 2012-13.

Changes in gaming tax revenue are driven mainly by the economy. As the economy improves and casinos invest more money by expanding and remodeling, the increased investment is expected to result in more gaming tax revenue.

At the close of 2011 and first quarter of 2012, casinos in Nevada, South Dakota, and California were beginning to see an upward trend in spending on gambling, lodging, and restaurant receipts. In Nevada, Reno casinos saw little growth in tax revenue while Las Vegas casinos saw larger increases. For example, casino operators such as Ameristar saw first quarter profits double at its Las Vegas casinos. In South Dakota, casinos saw gaming tax revenue advance 11 percent through the first four months of 2012 over the same period in the prior year. Spending increases at Colorado casinos are expected to be highly correlated with spending trends in other states as the economy improves.

As Table 10 also shows how money from Amendment 50 is distributed to community colleges and local governments in gaming communities. Amendment 50 distributions totaled $10.0 million in FY 2010-11 and will decrease to $9.3 million in FY 2011-12, before growing to $9.5 million in FY 2012-13. Community colleges received $7.0 million in FY 2010-11, and are expected to receive $6.3 million in FY 2011-12 and $6.4 million FY 2012-13.

Gaming revenue distributed prior to expanded gaming (effective July 1, 2010), is often referred to as "*Pre-Amendment 50*" revenue. This money is distributed to the State Historical Society, gaming cities and counties, the General Fund, and various economic development programs. These distributions totaled $97.4 million in FY 2010-11. Distributions will decline to $91.8 million in FY 2011-12. The change in the tax rate structure and growing economy will result in an increase in tax revenue to $100.2 million in FY 2012-13.

The Colorado Limited Gaming Control Commission voted in May to restore the graduated gaming tax rate structure that was in place in early 2011, beginning July 1, 2012. The new rate structure restores rates to a level 5.0 percent higher than FY 2011-12 rates, and is expected to result in additional revenue in FY 2012-13. Table 11 compares gaming tax rates for FY 2011-12 and FY 2012-13.

Table 10
June 2012 Gaming Revenue and Distributions
(Dollars in Millions)

	Preliminary FY 2010-11	Estimate FY 2011-12	Estimate FY 2012-13	Estimate FY 2013-14
Gaming Revenue				
Gaming Taxes				
Pre-Amendment 50 *(Subject to TABOR)*	95.2	91.8	99.6	104.1
Amendment 50 Revenue *(TABOR Exempt)*	9.7	9.3	10.1	10.6
Total Gaming Taxes	**$104.8**	**$101.1**	**$109.7**	**$114.7**
Fees and Interest Earnings *(Subject to TABOR)*				
To Limited Gaming Fund	1.7	1.7	1.8	1.9
To State Historical Fund	1.1	1.1	1.2	1.2
Total Gaming Revenue	**$107.6**	**$103.9**	**$112.7**	**$117.8**
% change	**-3.1%**	**-3.5%**	**8.5%**	**4.5%**
Total Gaming Revenue Subject to TABOR	$98.0	$94.6	$102.6	$107.2
Distributions of Gaming Tax Revenue /A				
Amendment 50 Distributions				
Community Colleges	7.0	6.3	6.4	6.8
Gaming Counties and Cities	2.0	1.8	1.8	1.9
Amendment 50 Administrative Expenses	1.1	1.2	1.3	1.4
Total Amendment 50 Distributions	**$10.0**	**$9.3**	**$9.5**	**$10.1**
Pre-Amendment 50 Distributions				
State Historical Fund	24.2	22.4	24.4	25.3
Gaming Counties	10.4	9.6	10.5	10.9
Gaming Cities	8.6	8.0	8.7	9.1
General Fund	20.4	20.2	20.4	20.5
Economic Development Programs	22.8	19.7	23.2	24.8
Pre-Amendment 50 Administrative Expenses	11.0	11.9	13.0	14.1
Total Amendment 50 Distributions	**$97.4**	**$91.8**	**$100.2**	**$104.6**
Total Gaming Distributions /B	**$107.4**	**$101.1**	**$109.7**	**$114.7**

/A Distributions are made from gaming tax revenue, not total gaming revenue.

/B Administrative expenses were spent in FY 2010-11 above the total amount of revenue collected.

Table 11
Gaming Tax Rates

Casinos with Adjusted Gross Proceeds* (in millions)	FY 2011-12	FY 2012-13 (new rates)
Up to $2.0	.2375	.25
$2.0 to $5.0	1.9	2.0
$5.0 to $8.0	8.55	9.0
$8.0 to $10.0	10.45	11.0
$10.0 to $13.0	15.2	16.0
$13.0 and over	19.0	20.0

Adjusted Gross Proceeds are the total of all wagers (except with respect to games of poker) made by players on limited gaming less all payments to players.

Table 12
Federal Mining Leasing Revenue Distributions
(Dollars in Millions)

Fiscal Year	June 2012 Forecast	Percent Change	March 2012 Forecast	Percent Change from Last Forecast
FY 2001-02	$44.6		$44.6	
FY 2002-03	50.0	12.1%	50.0	
FY 2003-04	79.4	58.7%	79.4	
FY 2004-05	101.0	27.2%	101.0	
FY 2005-06	143.4	41.9%	143.4	
FY 2006-07	123.0	-14.3%	123.0	
FY 2007-08	153.6	25.0%	153.6	
FY 2008-09	227.3	47.9%	227.3	
FY 2009-10	122.5	-46.1%	122.5	
FY 2010-11	152.5	24.5%	152.5	
FY 2011-12	168.5	10.4%	160.8	4.7%
FY 2012-13	161.8	-4.0%	164.0	-1.4%
FY 2013-14	170.2	5.2%	172.4	-1.3%

Note: FML distributions are federal funds and therefore not subject to TABOR.

Table 12 presents the June 2012 forecast for **federal mineral leasing** (FML) revenue in comparison with the March forecast. FML revenue is the state's portion of the money the federal government collects from mineral production on federal lands. Collections are mostly determined by the value of energy production. Since FML revenue is not deposited into the General Fund and is exempt from the TABOR amendment, the forecast is presented separately from other sources of state revenue.

The forecast for FML revenue in FY 2011-12 was increased slightly compared with the March forecast, due to higher than expected year-to-date distributions. Revenue is projected to increase 10.4 percent in FY 2011-12 compared with the prior year, reaching $168.5 million. FML revenue is anticipated to decline in FY 2012-13 to $161.8 million before rebounding in FY 2013-14 to $170.2 million. Colorado natural gas prices continued dropping through much of the spring of 2012, and only recently have begun to rise, reaching $2.40 per Mcf in May. The drop in gas prices is responsible for a downward revision through the remainder of the forecast period.

Unemployment Insurance Trust Fund

After three years of deficits, the **Unemployment Insurance Trust Fund** is expected to have a positive fund balance of $232.1 million at the close of FY 2012-13. Despite increasing revenue to the fund, high levels of UI benefits paid continue to drain the fund. Forecasts for UI revenue, benefit payments, and the UI Trust Fund balance are shown in Table 13. Revenue to the UI Trust Fund has not been subject to TABOR since FY 2009-10 and is therefore excluded from Table 8 on page 18. Revenue to the Employment Support Fund, which receives a portion of the UI premium surcharge, is still subject to TABOR and is included in the revenue estimates for other cash funds in Table 8.

After peaking during FY 2009-10, initial UI claims continue to fall, though layoffs in some industries are expected through 2012. Overall, UI benefits paid are expected to fall 5.8 percent between FY 2011-12 and FY 2012-13.

Revenue to the UI Trust Fund continues to rise in FY 2011-12 due to higher premium payments made by employers. By law, employer premium rates are based on the fiscal year-end balance and an employer's performance in terms of the amount of UI benefit payments going to employees and the amount of UI premiums an employer pays. Rates paid by employers in calendar years 2012 and 2013 will remain high as a result of fund insolvency. Rates for 2014 and beyond are expected to fall as the fund balance recovers.

House Bill 11-1288 has begun to increase revenue to the UI Trust Fund this fiscal year. The bill increases the employee wage base upon which employer UI payments are made in calendar year 2012. The wage base is expected to increase each year by growth in the average weekly wage starting in 2014.

House Bill 12-1127 lowered the premium rate new employers are charged for unemployment insurance. Before the bill, premium rates for new employers ranged from 2.96 to 4.65 percent depending on the reserve ratio of the UI Trust Fund, with premium rates increasing as the fund's reserves decrease. House Bill 12-1127 reduces the premium rate for new employers to 1.7 percent unless they have benefits charged against them from involvement in an earlier business entity. The bill is expected to reduce revenue to the UI Trust Fund by $5.6 million in FY 2012-13 and $9.0 million in FY 2013-14.

Federal borrowing and a special interest assessment. When the balance of the UI Trust Fund falls below zero, the federal government requires that another revenue source be found to continue funding the UI program.

Table 13
Unemployment Insurance Trust Fund Forecast, June 2012
Revenue, Benefits Paid, and Fund Balance
(Dollars in Millions)

	Actual FY 10-11	Estimate FY 11-12	Estimate FY 12-13	Estimate FY 13-14	FY 10-11 to FY 13-14 CAAGR*
Beginning Balance	($193.8)	($301.5)	($27.6)	$232.1	
Plus Income Received					
UI Premium & Premium Surcharge /A	$371.4	$416.8	$398.8	$544.0	13.2%
Solvency Surcharge	$411.3	$470.6	$435.2	$216.6	
Interest	$0.3	$0.0	$3.7	$7.5	
Total Revenues	**$783.0**	**$887.4**	**$837.7**	**$768.1**	-1.1%
% Change	25.3%	13.3%	-5.6%	-8.3%	
Less Benefits Paid	($760.8)	($613.5)	($578.0)	($525.9)	-10.5%
% Change	-28.5%	-19.4%	-5.8%	-9.0%	
Net Federal Loans	*($128.6)*				
Accounting Adjustment	($1.3)	$0.0	$0.0	$0.0	N/A
Ending Balance	**($301.5)**	**($27.6)**	**$232.1**	**$474.2**	
Solvency Ratio/B					
Fund Balance as a Percent of Total Annual Private Wages	-0.37%	-0.03%	0.26%	0.50%	

Totals may not sum due to rounding.

NA = Not Applicable.

**CAAGR: Compound Average Annual Growth Rate.*

/A This includes the regular UI premium, 30 percent of the premium surcharge, penalty receipts, and the accrual adjustment on premiums.

/B When the solvency ratio exceeds 0.9 percent of total annual private wages, the solvency surcharge is triggered off.

Note: The Unemployment Insurance Trust Fund is a TABOR enterprise and therefore revenue to it is not subject to TABOR.

Colorado began borrowing from the Federal Unemployment Account to fund benefit payments in January 2010. After a year of loans offered interest free, the state made its first interest payment of $11.4 million on loans outstanding in September. A similar payment is expected in September of 2012.

By law, a separate assessment is required to pay for interest on federal loans used to fund the UI program. During the summer of 2011, businesses were charged a special interest assessment to pay for the interest payment and a similar assessment is expected this summer. The amount individual businesses are charged is determined by a formula, based on the amount owed to the federal government and each business' total wages as a percent of total wages statewide. Businesses whose employees have not claimed any or have claimed only a small amount of UI benefits did not owe a special interest assessment. As of March 1, 2012, the state had $382 million outstanding in federal loans. However, the Colorado Department of Labor and Employment (CDLE) anticipates the outstanding principal on federal loans to shrink to roughly $90 million by June 30, 2012.

House Bill 12S-1002 allows special assessments charged to employers for bond principal repayment to be deposited in the UI Trust Fund rather than paid directly to the Colorado Housing and Finance Authority (CHFA), thus allowing these assessments to count toward improving the experience rating of employers and to lower their unemployment taxes.

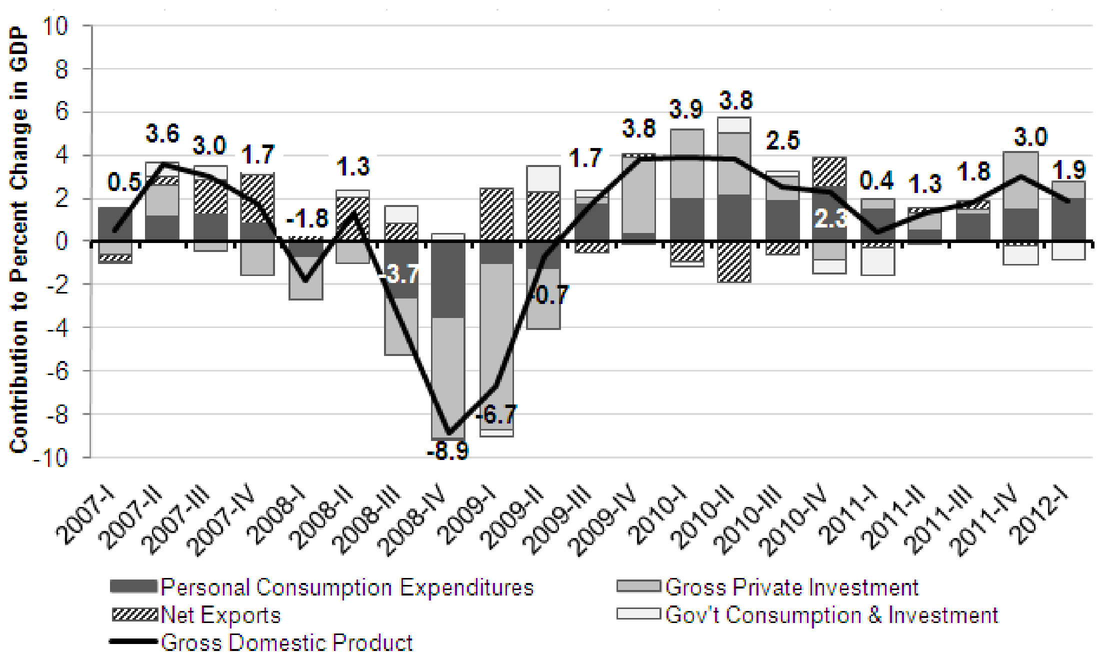
After gaining momentum at the end of 2011, the U.S. economy has slowed. Many indicators that were growing moderately toward the end of 2011 have now decelerated. These include employment, personal income, and consumption. Most economic sectors continue to see some growth, but at a slow rate as people struggle with uncertainty related to federal fiscal policy and international economic conditions.

On the positive side, the housing market has begun to recover as banks process foreclosures and credit markets loosen. Additionally, manufacturing is still expanding, helping sustain modest overall growth. A summary of the forecast for selected national indicators is available in Table 14 on page 39.

Nation's Economic Activity is Slowing

The broadest measure of total economic activity is **gross domestic product** (GDP). GDP measures household, business and government investments, and net exports. Growth in GDP has slowed recently, falling from an annualized rate of 3.0 percent in the fourth quarter of 2011 to 1.9 percent in the first quarter of 2012. As shown in Figure 2, net exports and government spending have both diminished. The deceleration in GDP growth during the first quarter was primarily reflected in a pullback in gross private inventory investments. The slowdown in these sectors was offset by increases in consumer spending.

Figure 2
Contributions to Real Gross Domestic Product
Quarter-Over-Quarter Growth at Seasonally Adjusted Annual Rates



Source: Bureau of Economic Analysis.

Manufacturing activity continues to see growth. The Institute for Supple Management's (ISM) index, shown in Figure 3, continues to indicate slow but steady expansion in manufacturing activity. The ISM index has been trending upward the last five months, ending at 53.5 in May. Index readings above 50 are indicative of expansion in the manufacturing economy, while readings below 50 indicate contraction.

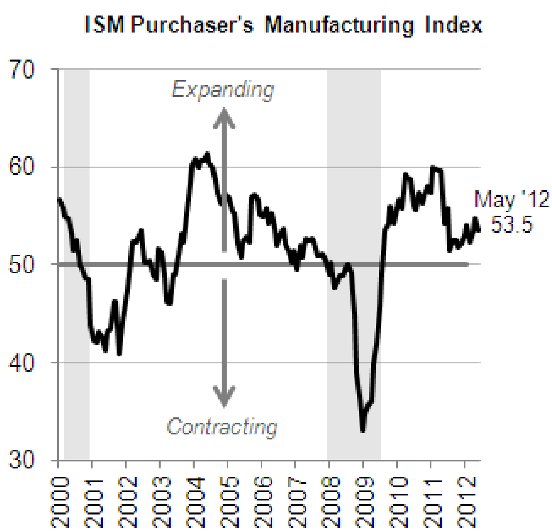
Industrial production, as measured by the Federal Reserve Board's Industrial Production Index, has been trending upward, although it ticked down slightly in May 2012. Although the index has not reached pre-recessionary levels, the current index of 97.3 signals a continued upward trend in industrial production, as shown in Figure 3.

An Uncertain and Slowing Global Economy

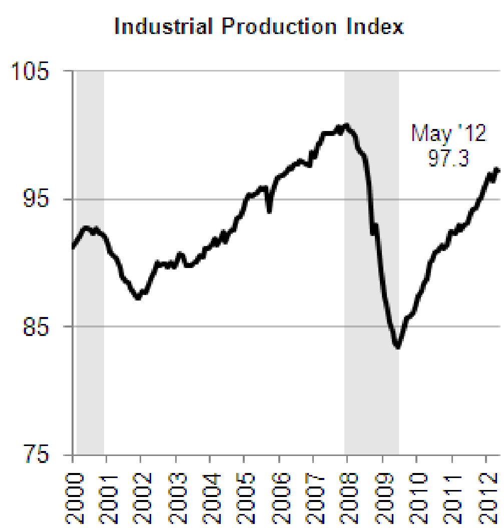
The European debt crisis remains the focal point for uncertainties surrounding global economic growth in 2012 and 2013. Much of southern Europe is in recession, and northern European countries such as Germany and France are growing at very slow rates. In May, the Organization for Economic Cooperation and Development (OECD) predicted global economic growth to be 3.1 percent in 2012 and 4.2 percent in 2013. These expectations rested on the assumption that the European Union would be able to prevent major financial disruptions beyond what is already occurring in the Eurozone.

The financial crisis in Greece appears to be heading toward a tipping point. Despite an apparent victory on June 17 for the pro-Euro party, political turmoil in Greece has heightened uncertainty about whether the Greek people will commit to the austerity plans required to remain in the Euro. A European Summit is occurring in late June, and Greece's exit from the European Union remains a possibility. If this happens, Greece could default on its debt, and European bailout aid would likely no longer be available to the

Figure 3
Manufacturing and Industrial Production
Seasonally Adjusted

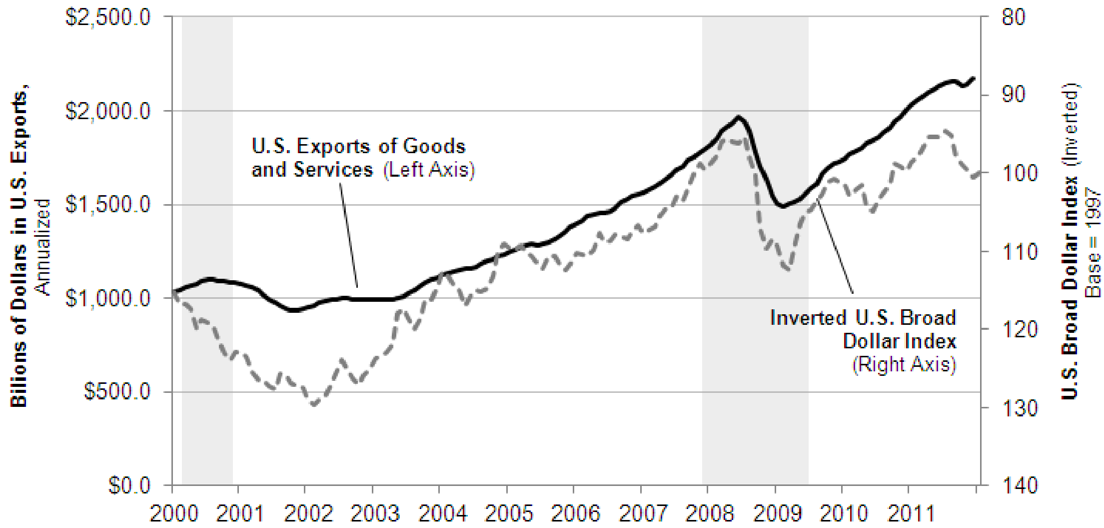


Source: Institute for Supply Management.



Source: Federal Reserve.

Figure 4
U.S. Exports Slowing, Value of the Dollar Up
Seasonally Adjusted Annual Rates



Source: Bureau of Economic Analysis; Federal Reserve Board. Exports data through April 2012. Broad Dollar Index data through May 2012.

Greek Government. In addition, the European Central Bank would likely no longer provide liquidity to Greek banks, which are currently experiencing a bank run. Capital and trade flows between Greece and the rest of Europe would be further disrupted.

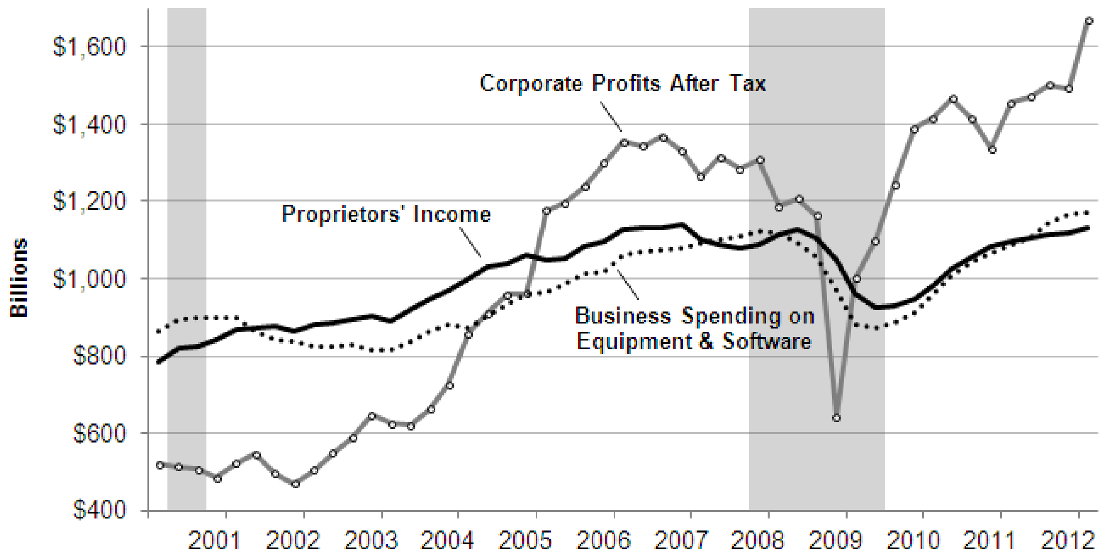
In the meantime, Spain is suffering from a financial crisis stemming from an overheated housing industry. Spanish banks received a 100 billion Euro bailout in early June in an effort to shore up reserves and stave off financial contagion. The European Central Bank has played an instrumental role by providing liquidity to European banks throughout the Eurozone. This has been vital as interbank lending in Europe is virtually frozen.

The European recession has worldwide ramifications. If the recession deepens, Russia's economy will slow as its financial system manages losses from European investments. China's economy has already slowed significantly, partially as a result of slowing exports and partially because of imbalances in its financial institutions and its own housing bubble. Developing countries around the world, including India and Brazil, are also experiencing slower growth.

The health of the U.S. economy is at risk if European leaders are not successful at managing the crisis. A troubled global financial system does not bode will for a U.S. financial sector still working through bad loans made prior to the U.S. financial crisis. In addition, the European recession has already begun to apply downward pressure on U.S. exports, as the Eurozone has historically made up about 15 percent of total U.S. exports.

Total U.S. Exports continued to trend slowly upward through April 2012 after losing significant momentum after the third quarter of 2011. Contributing to this loss of momentum has been the increasing value of the U.S. dollar relative to other currencies. When the dollar gains strength relative to other currencies, U.S.

Figure 5
Business Income and Spending Continues to Improve
Seasonally Adjusted Annualized Data



Source: U.S. Bureau of Economic Analysis, National Income Product Accounts and Personal Income Statistics.

goods become relatively more expensive. Over the past decade, the value of the dollar has exhibited a strong inverse relationship with exports. In Figure 4, the value of the dollar is inverted to demonstrate this relationship.

Improvements in Business Activity

Business income and spending are above pre-recessionary levels and continue to show upward momentum. Corporate profits continue to increase and businesses have been investing in equipment and software. Business spending on equipment and software, shown in Figure 5, was up 7.8 percent between January 2011 and January 2012. Proprietor's income, an indicator of income for small and medium sized, businesses, saw modest growth of 3.4 percent between January 2011 and January 2012.

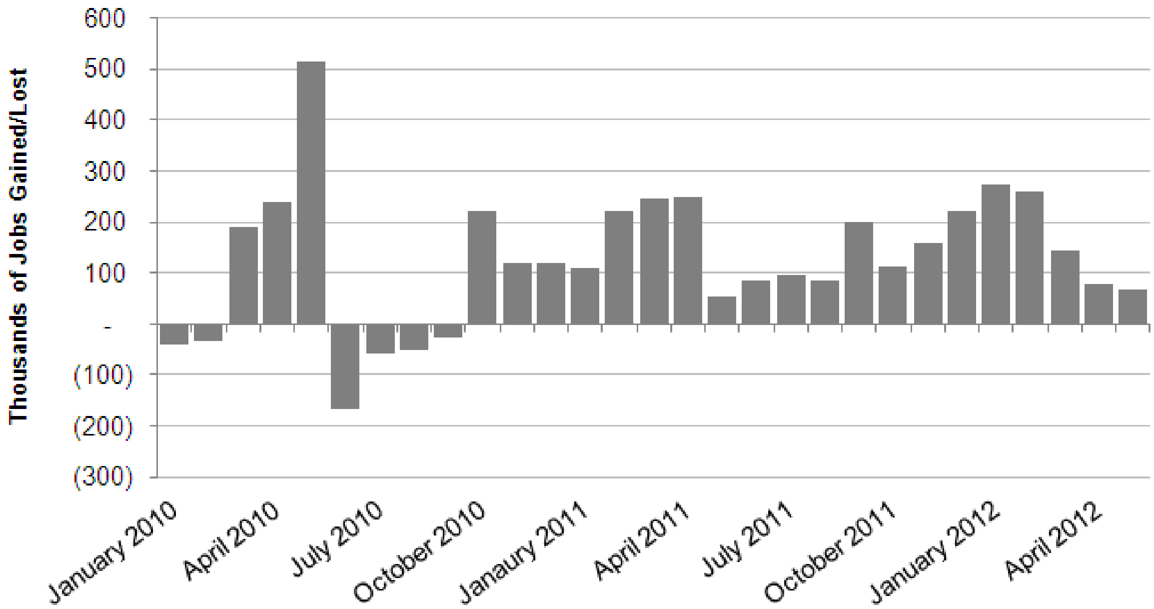
- Economic recovery, slowed by sluggish growth in government spending and net exports, is expected to continue at a slow pace through the second half of 2012. Real GDP will grow 2.2 percent in 2012 and 2.3 percent in 2013.

Improvements in the Nation's Labor Market Have Slowed

As shown in Figure 6, total **nonfarm employment** has been increasing since 2010, but monthly job gains slowed in March and April 2012. Many of the job gains at the beginning of 2012 have been attributed to warm winter weather conditions, creating a spike in economic activity. Figure 7 shows that between December 2010 and May 2012, employment increased in most economic sectors. The largest gains came in professional and business services, health care, and leisure and hospitality.

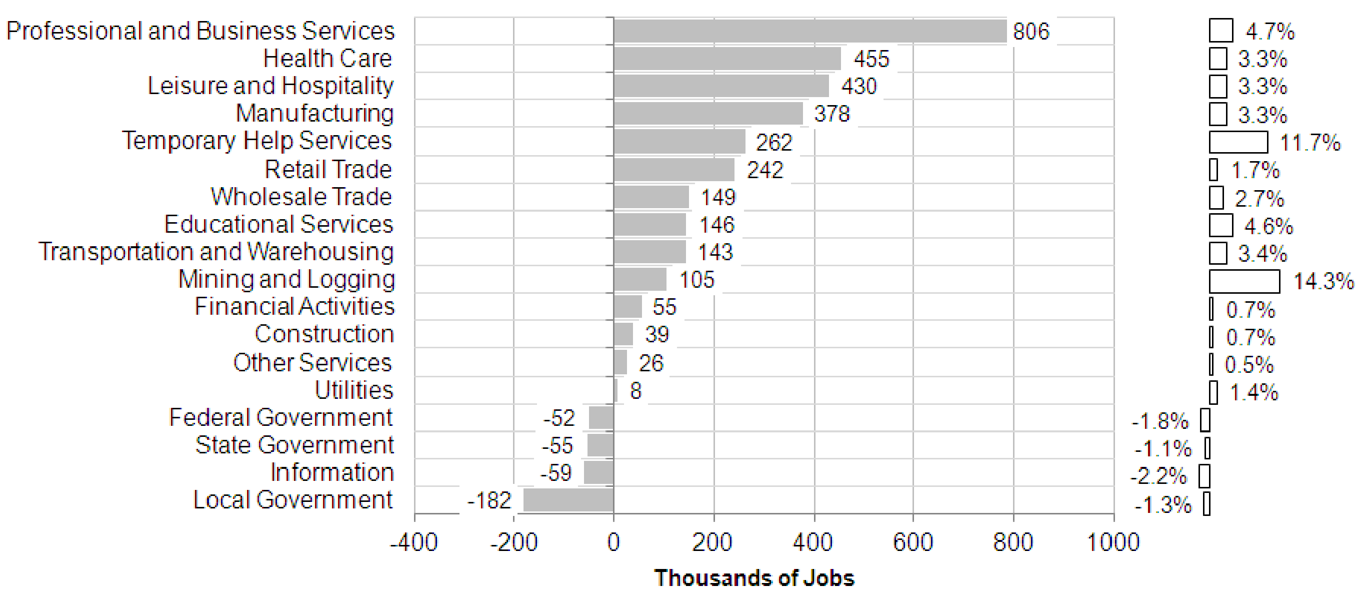
The **unemployment rate** continued to slowly decline during the first five months of 2012, falling from 8.3 percent in January 2012

Figure 6
Monthly Job Gains/Losses
Seasonally Adjusted, January 2010 through May 2012



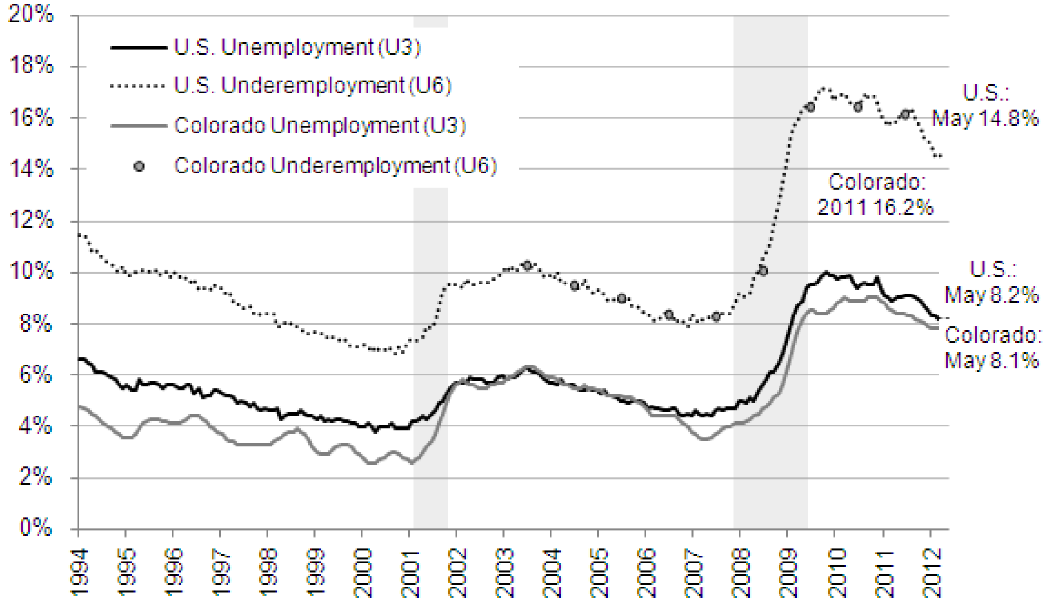
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics. Data through May 2012.

Figure 7
Total Nonfarm Employment Job Gains/Losses
Seasonally Adjusted, December 2010 to May 2012



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Figure 8
U.S. and Colorado Unemployment and Underemployment Rate
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, Current Population Survey.

to 8.2 percent in May 2012, as shown in Figure 8. This drop resulted from a decline of over 300,000 in the labor force rather than gains in employment. The labor force participation rate fell through the end of 2011 and remained flat through the beginning of 2012. The underemployment rate, a measure of the number of people who desire full-time work, has seen downward trends since the beginning of 2011. In May 2012 the underemployment rate was at 14.8 percent.

Although the unemployment rate remains high, the duration of time unemployed, which was trending upward at the end of 2011, declined during the first quarter of 2012. As shown in Figure 9, the average unemployment duration decreased from 40.3 weeks in the third quarter of 2011 to 39.8 weeks in the first quarter of 2012.

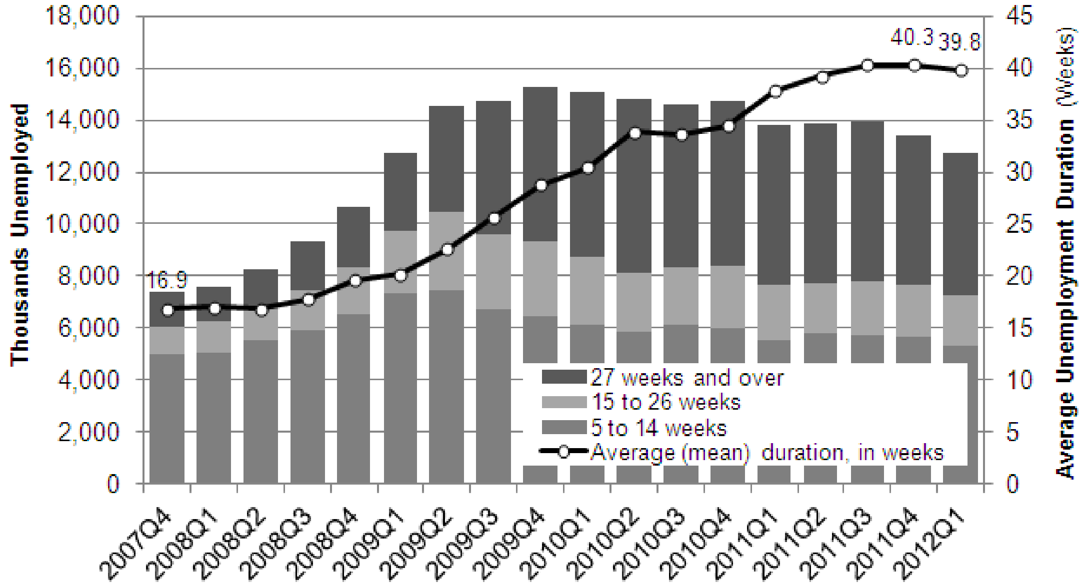
- Improvement in the labor market will remain sluggish through 2012. Employment will increase by a modest 1.2 percent in 2012, while the unemployment rate is expected to average 8.3 percent in 2012.

Income Growth Closely Matches Consumer Spending Growth

As shown in Figure 10, growth in **personal income** has lost momentum but continues to see positive trends. Personal income grew 2.1 in the first quarter of 2012 compared with the same period in 2011. Wages and salaries, the largest component of personal income, were up only 1.8 percent over that same period. Farm income decreased 6.0 percent after growing by more than 25.0 percent in 2010 and 2011. Income from unemployment insurance decreased 11.9 percent in the first three months of 2012 compared with 2011 levels.

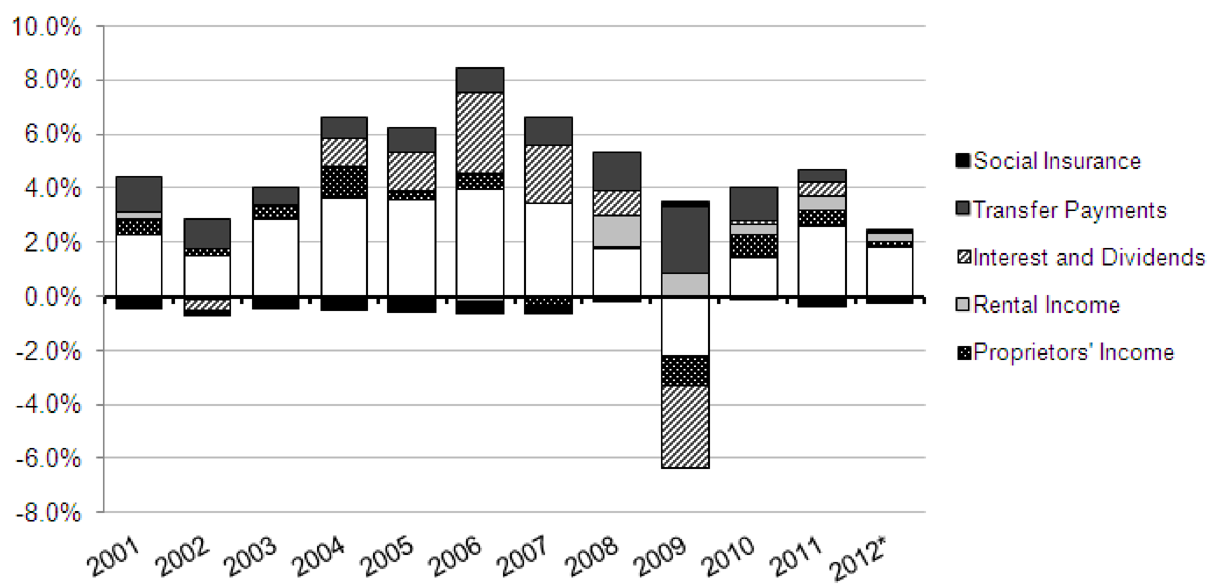
Growth in **personal consumption**, which grew 1.1 percent during the first three

Figure 9
Duration of Employment



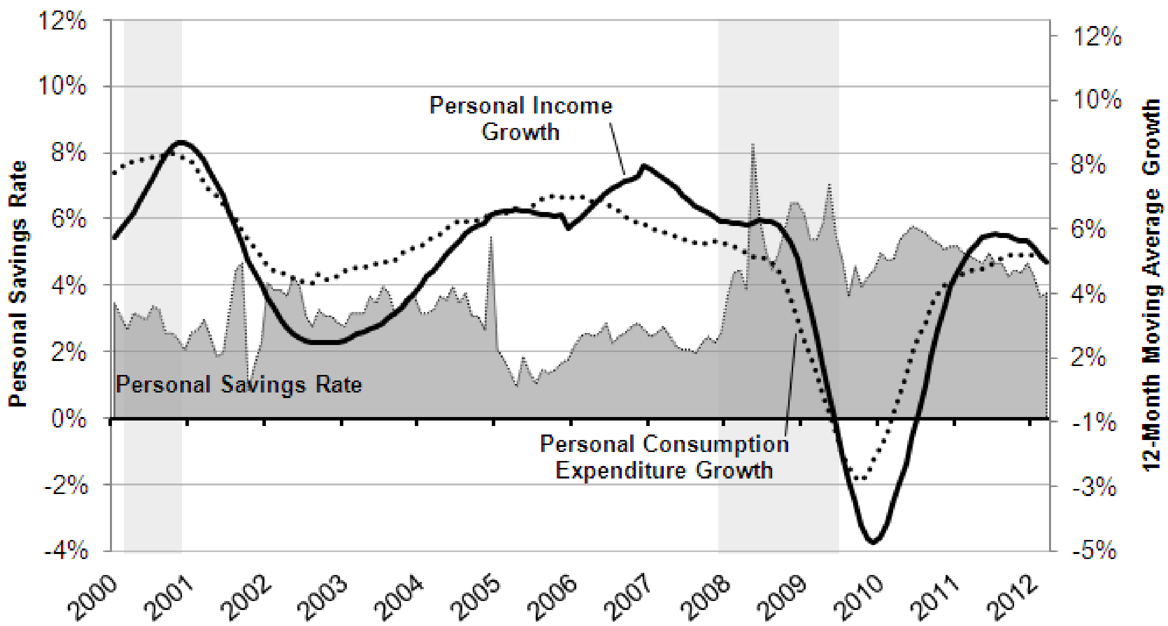
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Figure 10
Personal Income Components, 2001 through March 2012



**2012 is through the first quarter.*
Source: U.S. Bureau of Economic Analysis, Personal Income Statistics.

Figure 11
U.S. Personal Income and Outlays
Growth Rates are 12-Month Moving Averages; Seasonally Adjusted



Source: Bureau of Economic Analysis, Personal Income Statistics. Data through March 2012.

months of 2012, is shown in Figure 11. As personal income continues to grow, there is more sustainable growth in personal consumption.

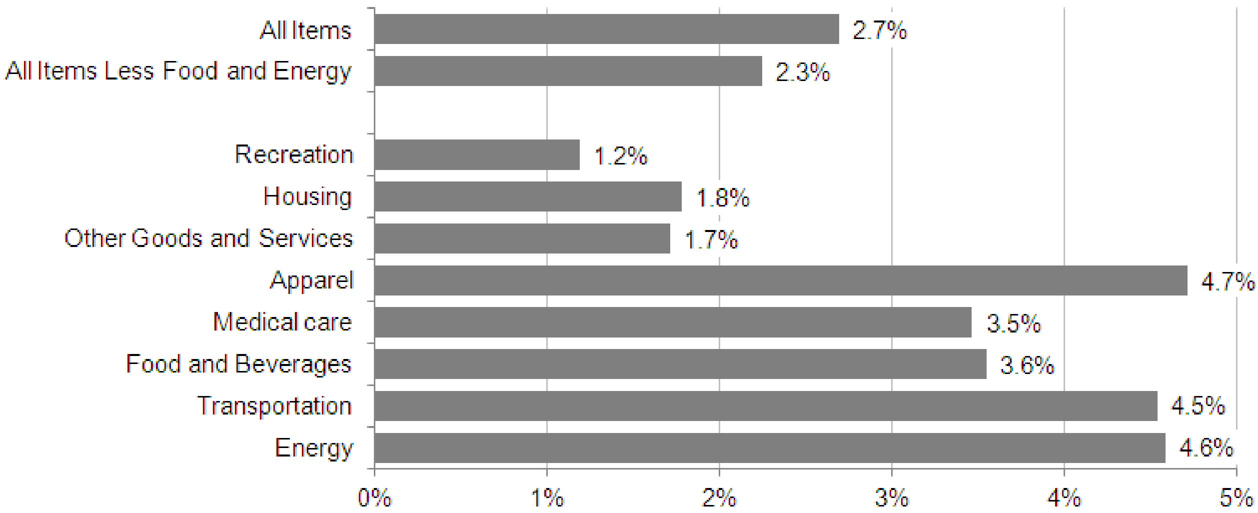
The growth in personal income and consumption comes after a sharp fall in these sectors in prior years. Every three years the **Federal Reserve Board** releases a **Survey of Consumer Finances**, which provides information on changes in family income and net worth. The 2010 survey, which looks at changes from 2007 through 2010, reported that family median net worth had fallen 38.8%. Much of the decrease in the net worth came from the rapid fall in housing values and was concentrated in families that were highly educated. Median income also fell 8 percent to $45,800. One the positive side, the average number of credit cards a family held dropped and families with credit card balances fell 6.7 percent during this period.

- After increasing 5.0 percent in 2011, personal income will increase just 2.4 percent in 2012. Wages and salaries, which grew by 4.1 percent in 2011, will grow 3.2 percent in 2012. Both income and wage and salary growth are expected to accelerate in 2013.

Inflation Down as Energy Prices Fall

Consumer prices increased 2.7 percent through the first four months of 2012 compared with the same period in 2011, as shown in Figure 12. The core inflation rate (the rate on items other than food and energy) was 2.3 percent. While food and energy prices provide some upward pressure, that too is lessening. Since the end of January, oil prices have fallen from $110 per barrel to just above $80 per barrel. National gas prices also fell to $2.20 per Mcf by the

Figure 12
Inflation by Sector
Seasonally Adjusted, January through April 2012



Source: U.S. Bureau of Labor Statistics.

end of May. Both are expected to remain at lower levels through the rest of 2012, reducing inflationary pressures.

- Headline inflation, held in check by reduced energy prices and a slowing global economy, is expected to be 2.1 percent in 2012.

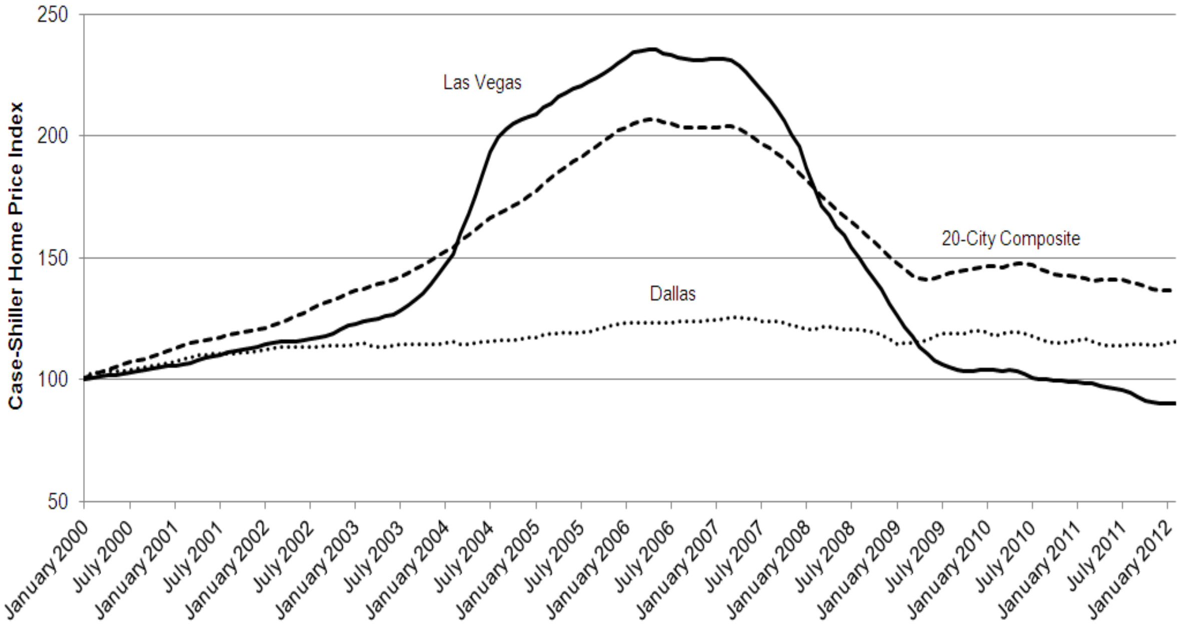
The Nation's Housing Market Is Showing Signs of a Recovery

The **U.S. housing market** is improving and may be seeing the beginning of a mild recovery. Home sales are up as consumers are buying more low-to-mid-priced homes while securing mortgages at record-low interest rates. Rising home sales are reducing home inventory levels around the country and creating a more balanced mix of homes available in the market. First quarter data indicate that home prices may have bottomed out after posting declines for nine of the past twelve months.

Despite the uptick in housing sales through March 2012, U.S. home prices rose only a fraction of a percent on a seasonally adjusted basis during the first quarter of 2012 and declined 2.6 percent over the past 12 months. The decline from the last peak in prices seen in April 2006 was 33.8 percent. If the current level of pending sales activity takes hold in 2012, it appears that housing prices will have reached a low in 2011. Based on the 20-city Case-Shiller Home Price Index through March 2012, seven cities posted price gains over the same period last year. Phoenix, Arizona posted the largest yearly price gain with home prices advancing 6.1 percent. In contrast, housing prices in Las Vegas declined 7.5 percent over the same period.

On a seasonally adjusted basis, 13 of 20 cities in the index posted a month-over-month gain in March, likely due to seasonal influences in the markets. The 20-city index was flat in March over the prior month and was 2.6 percent lower in March over the prior year period. Home prices in Dallas had much less

Figure 13
Case-Shiller Home Price Index
Seasonally Adjusted



Source: Standard & Poors and FiServ. Data through March 2012.

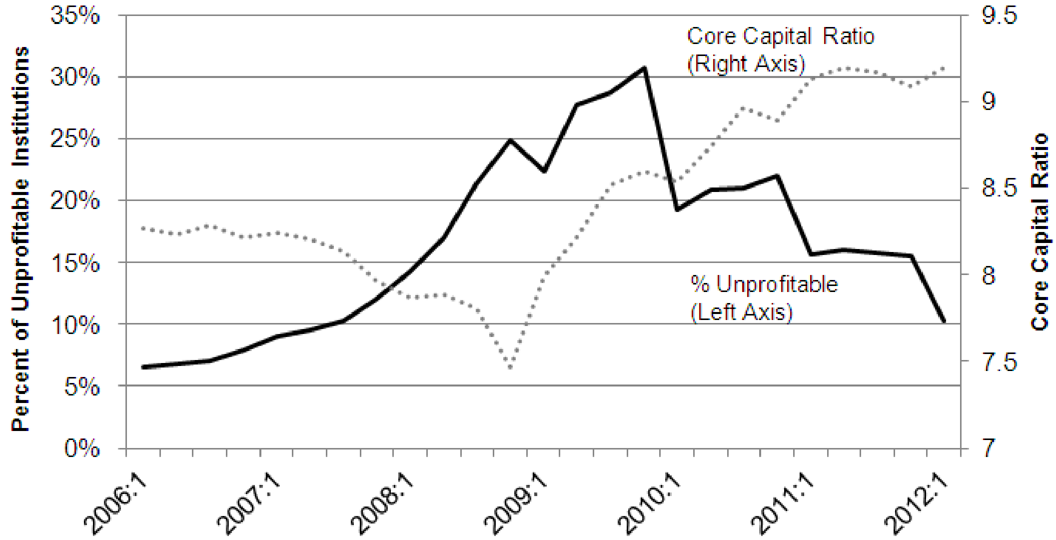
price volatility over the past decade than the 20-city index and Las Vegas, as shown in Figure 13.

While improving **home sales** and declining inventory indicate improvement in the nation's housing market, median home prices rose in only half of the metropolitan statistical areas (MSAs), according to the National Association of Realtors. In April 2012, total home sales rose 4.62 million on a seasonally adjusted basis, 10 percent higher than the 4.2 million unit level in April 2011. Some areas are seeing more volatility in home prices as sudden swings in buyer activity are driving home prices upward although there continues to be downward pressure from foreclosures and distressed sales. Home prices lag sales activity because the activity usually occurs in the prior quarter. At the close of April, there were 2.54 million homes for sale as **inventory**, a 6.6 month supply at the current sales pace. April's inventory was 20.6 percent less than the prior-year period in 2011 when the inventory was 3.03 million and there was a 9.1 month supply.

The nation's supply of **foreclosures** and **short sales** that were sold at steep discounts accounted for 32 percent of sales in the first quarter of 2012, down from 38 percent in the prior year period. Despite the decline, foreclosures remain a drag on the housing market. This is especially true in areas like Florida where foreclosures represent a large share of the housing market.

The National Association of Realtors (NAR) reported that the **existing home sales index,** which includes single-family, town homes, condominiums and co-ops, continued to rise in the first quarter to a seasonally adjusted rate of 4.57 million. The first quarter of sales activity was the highest pace set since

Figure 14
Core Capital Ratio and Percent of Unprofitable Institutions
Quarterly: 2006 through 2012



Source: Federal Deposit Insurance Corporation. Data through the first quarter of 2012. In general, the Core Capital Ratio measures cash on hand as a percent of total assets, where assets (or loans) are adjusted for the risk of default.

2007. The uptrend in home sales is consistent with record-low mortgage interest rates, low home prices, modest job creation, and rising rents.

The National Association of Homebuilders **Builders Confidence** index rose to 29 in May, its highest level since May 2007. However, the index is far off from the high of 72 reached in June 2005.

- As foreclosures decline and home prices gradually increase, consumers will gain confidence in the housing market. Low residential mortgages rates are boosting this recovery.
- The value of nonresidential construction fell throughout the first quarter of 2012. It was up 5.7 percent in March compared with the same period in 2011.

U.S. nonresidential construction is expected to continue a slow recovery with most of the growth in private nonresidential construction. McGraw Hill Construction's Dodge Momentum Index, an indicator of future construction spending, climbed 1.0 point in April to 94.7.

Banks Gain Financial Strength

Banking and credit conditions continue to improve as banks work through debt and increase their capital reserves. As shown in Figure 14, the **core capital ratio**, a measure of the amount of capital banks hold as a percentage of their assets (or loans), is on an upward trend. As the core capital ratio increases, the amount of risk for a bank decreases. This positive trend is attributed to the transaction and loan restrictions placed on banks after the recession. The improvement in banking conditions can also been seen in the reduction of unprofitable institutions. The share of unprofitable FDIC-insured institutions fell from 15.5 percent in the fourth quarter of 2011 to 10.3 percent in the first quarter of 2012.

Although conditions in the banking sector have improved, the credit market remains tight. The Federal Reserve's most recent senior loan officer survey indicated little change to the credit market standards for large and medium-sized firms and for residential mortgages. Loan officers also indicated that consumers were having difficulty obtaining mortgage insurance, which sometimes resulted in a denial of financing. In addition, banks are seeing increased restrictions on loans to European banks or businesses with substantial European holdings.

Summary

The U.S. economy has lost momentum. GDP growth has slowed, and the improvements in the labor market have waned. Unemployment has changed little from the beginning of the year. Personal income growth has slowed and personal consumption growth has flattened. The credit markets remain tight.

On a positive note, inflation remains low. This is likely to continue with the recent redirection in energy prices. The housing market has begun to improve, as home sales are aided by continuing record low interest rates. The manufacturing sector continues to show positive signs.

Economic growth is expected to continue at a slow pace through 2012, gaining moderate speed in 2013.

Risk to the Forecast

The nation's economy continues to grow but has lost strength and is vulnerable to economic disruptions. The most pressing matter is the impending financial crisis in the European economy. The world waits as Greece's position in the European Union remains uncertain and Spanish banks strain under heavy losses. The potential crumbling of the Eurozone has domestic banks cautious, keeping credit markets tight and placing downward pressure on economic growth.

Another major source of uncertainty is the outcome of the upcoming political season. An array of federal fiscal policies are currently scheduled to change in January 2013. These include spending cuts, increases in marginal individual income tax rates, capital gains tax rates, and the expiration of the payroll tax cut and extended unemployment insurance benefits. These policies affect the long-term financial choices of businesses and individuals and the uncertainty surrounding them could further dampen current economic growth.

Table 14
National Economic Indicators, June 2012 Forecast
(Dollars in Billions, Calendar Years)

	2007	2008	2009	2010	2011	Forecast 2012	Forecast 2013	Forecast 2014
Inflation-adjusted GDP	$13,206.4	$13,161.9	$12,703.1	$ 13,088.0	$13,315.3	$13,608.2	$13,921.2	$14,366.7
percent change	1.9%	-0.3%	-3.5%	3.0%	1.7%	2.2%	2.3%	3.2%
Nonagricultural Employment (millions)	137.6	136.8	130.8	129.9	131.4	132.9	134.7	137.2
percent change	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.2%	1.3%	1.9%
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	9.0%	8.3%	8.0%	7.8%
Personal Income	$11,912.3	$12,460.2	$11,930.2	$12,373.5	$12,991.2	13,303.0	$13,848.4	$14,665.5
percent change	5.7%	4.6%	-4.3%	3.7%	5.0%	2.4%	4.1%	5.9%
Wage and Salary Income	$6,421.7	$6,550.9	$6,270.3	$6,408.2	$6,668.2	$6,881.6	$7,218.8	$7,651.9
percent change	5.8%	2.0%	-4.3%	2.2%	4.1%	3.2%	4.9%	6.0%
Inflation (Consumer Price Index)	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	2.5%	2.8%

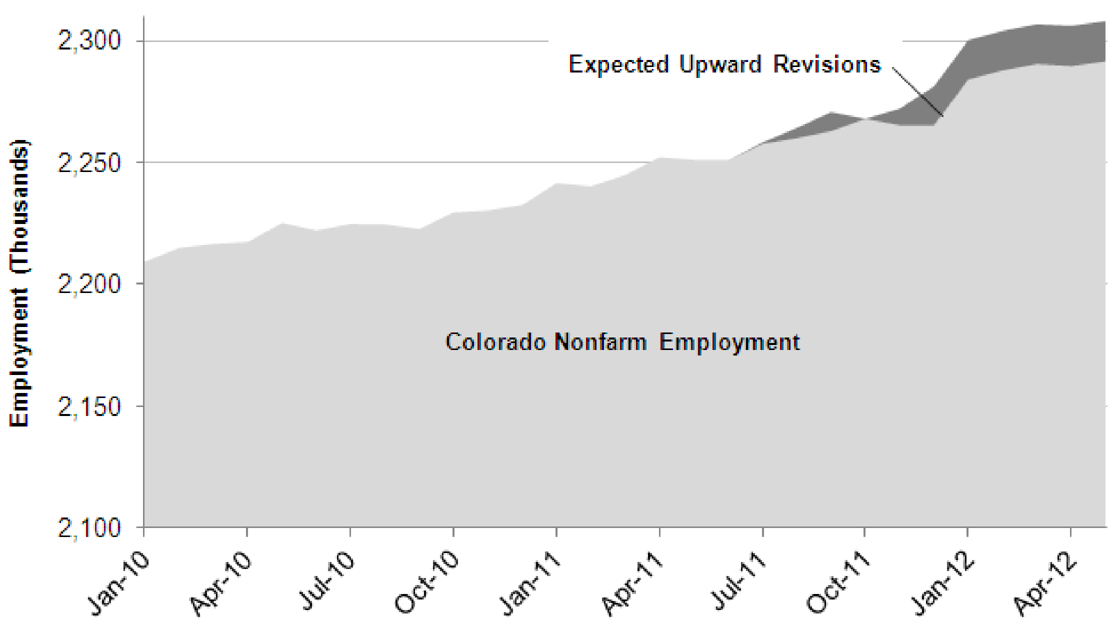
Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and Legislative Council Staff.

COLORADO ECONOMY

Colorado's economy continues to recover and has begun to outperform the national economy. Ongoing challenges will constrain the expansion, such as tight credit for small businesses and high debt levels for households. Consumers and business are being cautious in how much money they spend in response to national and global economic conditions. On the positive side, Colorado is adding jobs, the agricultural sector looks healthy, consumer spending is growing and the housing sector is one of the strongest in the nation. Colorado's economy is better positioned than the nation as a whole to recover, but is not insulated enough to recover without economic improvements in the rest of the country and the world.

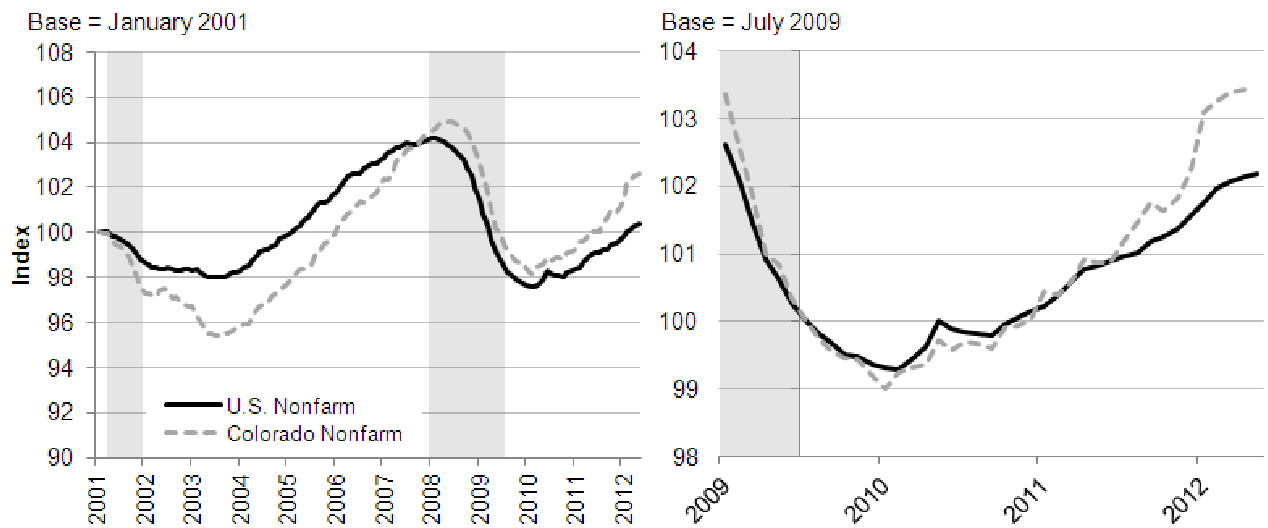
Because of global economic conditions, Colorado's economy will grow slowly through the rest of 2012 and 2013. Employment will make measured but small gains and the unemployment rate will remain stable as job growth is able to just absorb people returning to the labor force. Personal income and wages will grow slowly, and personal consumption will also be slow as pent up demand is exhausted. The housing sector will improve as more homes sell, foreclosures work their way through the system, and housing permits increase. These are all necessary for home prices to rebound, but strong price appreciation is not expected in 2012.

Figure 15
Nonfarm Employment statistics are Expected To Be Revised Upward
Seasonally Adjusted



Source: Published data is from the U.S. Bureau of Labor Statistics, current employment statistics. Expected revisions are from a Legislative Council Staff analysis of anticipated revisions to employment based on Quarterly Census of Employment and Wages data from the U.S. Bureau of Labor Statistics.

Figure 16
Nonfarm Employment Growth, Colorado vs. the Nation
Seasonally Adjusted Data

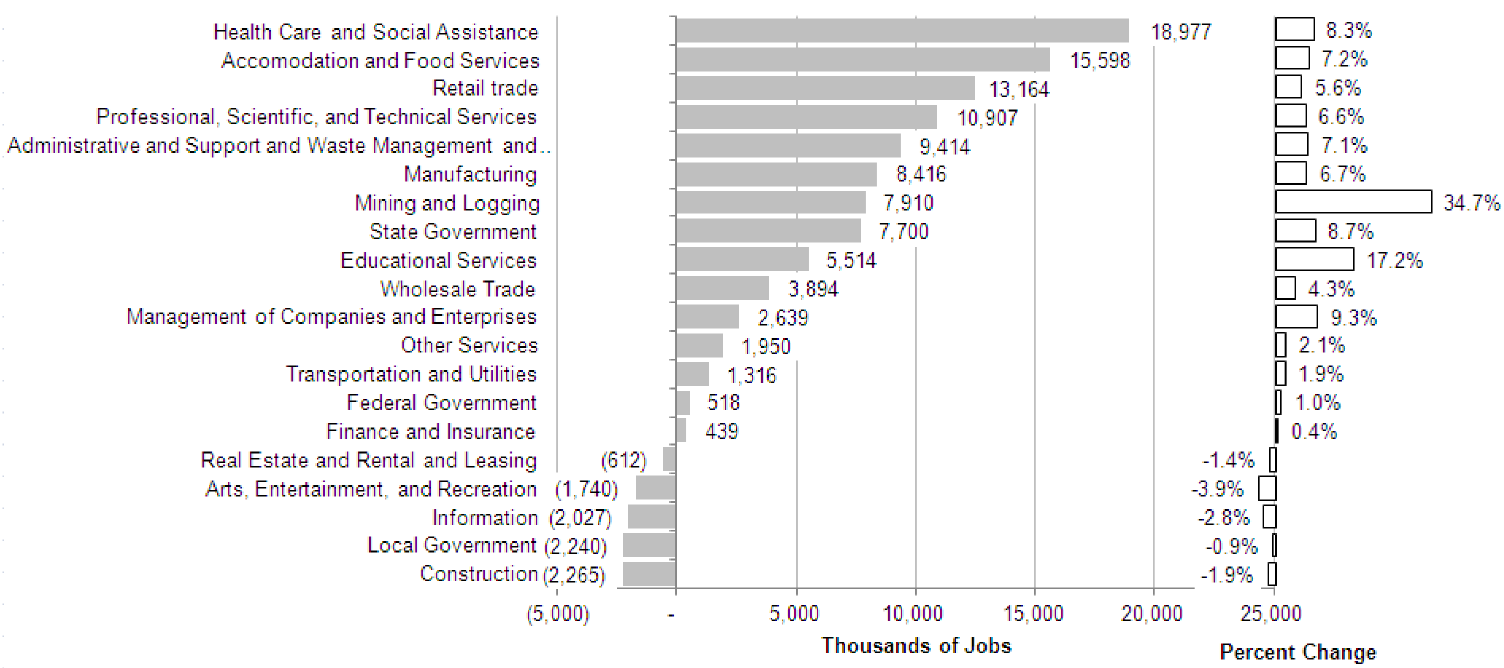


As measured by employment growth, Colorado experienced a deeper recession than the nation in the early 2000s but showed stronger growth in the years leading up to the 2007-2009 recession.

Since the start of the recent recovery, Colorado employment has been growing at a slightly faster rate than national employment through 2011.

Source: Bureau of Labor Statistics. National data through May 2012. Colorado data is through April 2012 and incorporates upward revisions expected by Legislative Council Staff for calendar year 2011.

Figure 17
Nonfarm Employment Growth, By Industry
Change in Number of Jobs between January 2010 and April 2012



Source: Rebenchmarked data based on Legislative Council Staff Analysis.

Table 15 on page 56 shows the economic forecast for Colorado.

Labor Market

Colorado's labor market has shown consistent improvement since employment hit a trough in January 2010. Nonfarm employment statistics are signaling continued gains in momentum, but unemployment statistics are signaling a slowdown.

Colorado lost 151,600 jobs, or 6.4 percent of its job base, between its pre-recession peak in April 2008 and the cyclical low in January 2010. Since then through May, Colorado has added 82,500 jobs. A Legislative Council Staff analysis expects that an additional 16,600 jobs will be added to this when the U.S. Bureau of Labor Statistics publishes revisions in March 2013, for a total job gain since the trough of 99,100 jobs, about two-thirds of the recessionary losses.

Each spring the U.S. Bureau of Labor Statistics revises its employment data to reflect new information gleaned from unemployment insurance premium forms. This spring they used unemployment insurance data through the second quarter of 2011 to revise their estimates for Colorado’s employment significantly upward for 2010 and 2011. Prior to this revision, the published growth rate for 2011 was 0.8 percent. The revision increased 2011 growth in Colorado employment to 1.5 percent.

Since that revision was released, unemployment insurance data for the third and fourth quarter of 2011 have become public. A Legislative Council Staff analysis of these data anticipates that growth in Colorado during this six month period will also be revised upward, as shown in Figure 15. Once these expectations for revisions are incorporated, employment statistics should show a growth rate of 1.6 percent in 2011, slightly higher than the published rate of 1.5 percent.

Figure 16 shows an index of nonfarm employment growth for Colorado relative to the nation. The chart at the left shows employment growth indexed to January 2001, just prior to the 2001 recession. This chart demonstrates that Colorado employment suffered a deeper recession than the nation in 2001.

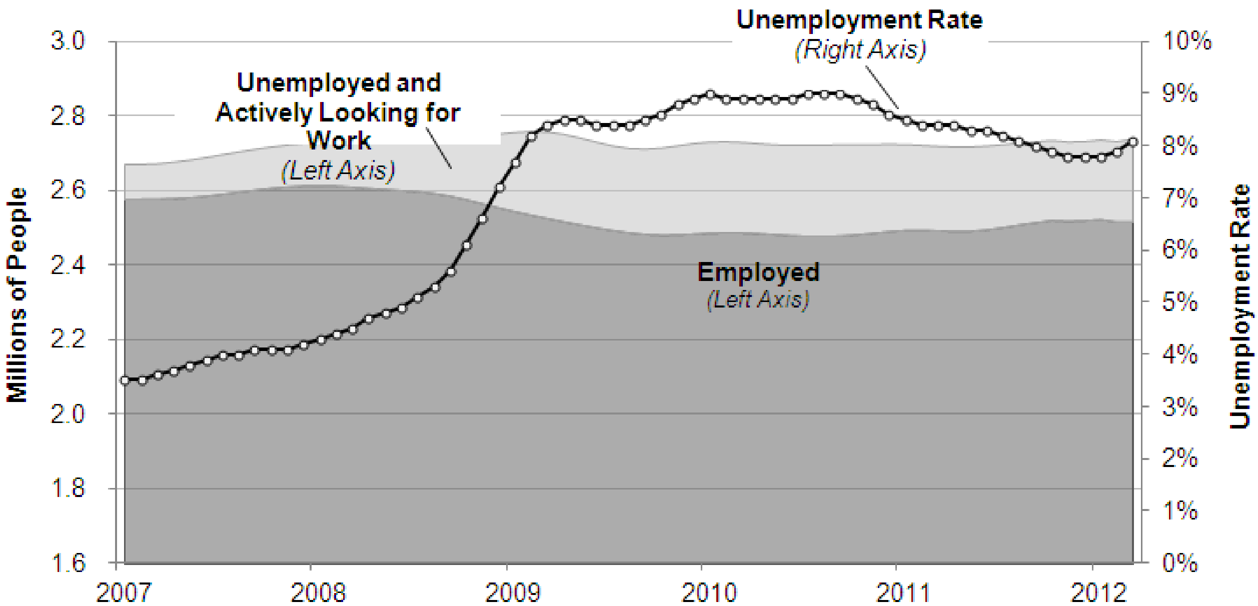
However, in the years leading up to the recent recession, the state showed a faster rate of growth relative to the nation. The chart at the right shows growth indexed to July 2009, the end of the 2007-2009 recession and start of the current recovery. Using data revised by Legislative Council Staff to incorporate unemployment insurance information, the index shows Colorado employment has begun to increase again at a faster rate than the nation. While nonfarm employment has lost momentum nationwide over the last few months, it has appeared to gain momentum in Colorado.

Since January 2010, job growth has occurred in most sectors of the economy, as shown in Figure 17. Health care and social assistance has added the most jobs, with nearly 19,000. Mining and logging has grown the most in percentage terms, employing 34.7 percent more people in April of 2012 than were employed in January of 2010. Total nonfarm employment increased 99,100 between January of 2010 and April of 2012, or 4.5 percent.

Unemployment statistics, however, are signaling the opposite: rather than gaining speed, they appear to signal a loss of momentum in the labor market recovery. Figure 18 shows that the unemployment rate ticked up to 7.9 percent in April and 8.1 percent in May, after holding at 7.8 percent in the first three months of 2012.

The increase in the May unemployment rate was a result of an increase in the labor

Figure 18
Unemployment Statistics Signal a Loss of Momentum in the Labor Market
Colorado Unemployment Rate and Number of Employed and Unemployed
Seasonally Adjusted Data



Source: U.S. Bureau of Labor Statistics. Data through May 2012.

force; in fact, over 500 more people were employed in May than in April, but nearly 7,000 returned to the labor force. The household survey includes farm employment, which may explain some of the inconsistency between improving nonfarm payroll numbers and the unemployment rate. As the labor market improves, more people will return to the labor market, increasing the unemployment rate.

- Total Colorado nonfarm employment is expected to grow 1.6 percent in 2012 and 1.6 percent in 2013. This is consistent with a slow recovery.

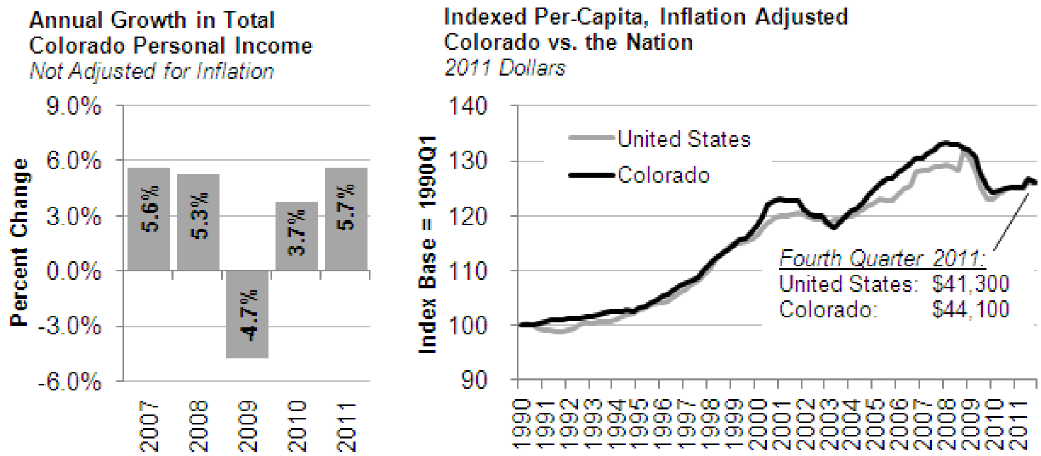
- The Colorado unemployment rate is expected to average 8.0 percent in 2012 and improve to 7.8 percent in 2013. The increase in unemployment at the end of 2012 will happen because job growth will be insufficient to absorb the number of people returning to the labor market.

Personal Income and Wages Show Small Gains

Personal income continues to gain strength in Colorado. As shown in Figure 19, total personal income increased 5.7 percent in 2011, after increasing 3.7 percent in 2010. All sources of personal income grew in 2011, with especially strong growth from farm income, which grew 21.6 percent. Nonfarm proprietor's income, the best measure available to indicate income growth to small and medium-sized businesses, increased 6.0 percent in 2011.

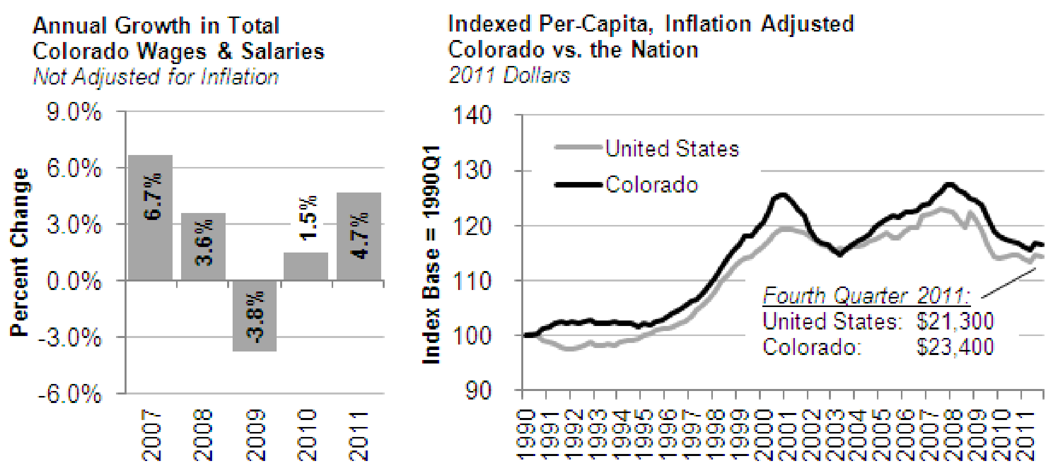
Over half of personal income comes from wages and salaries, which gained momentum in 2011. Wages and salaries increased 4.7 percent in 2011 after increasing only 1.5 percent in 2010, as shown in Figure 20. The increase in wage and salary income reflects improvements in the number of people working

Figure 19
Personal Income Shows Small Gains Since Recession against Population Growth and Inflation



Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics, and Legislative Council Staff. Data through the fourth quarter of 2011.

Figure 20
Wages and Salaries Growing Just Enough Since Recession to Keep Pace with Population Growth and Inflation



Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, U.S. Bureau of Labor Statistics, and Legislative Council Staff. Data through the fourth quarter of 2011.

and salary increases that are part of an improving labor market.

Figures 19 and 20 also show per-capita, inflation-adjusted changes in personal income and wages and salaries between 1990 and 2011. Real per-capita personal income and wages and salaries appear to have hit bottom after falling considerably during the recession. This is consistent with a slow economic recovery.

- Personal income will increase 2.9 percent in 2012 and 4.2 percent in 2013. Expectations for personal income growth in 2012 were reduced because farm income is expected to drop from historic highs in 2011 and government transfer payments are expected to decrease between 2011 and 2012, as fewer people receive unemployment benefits.

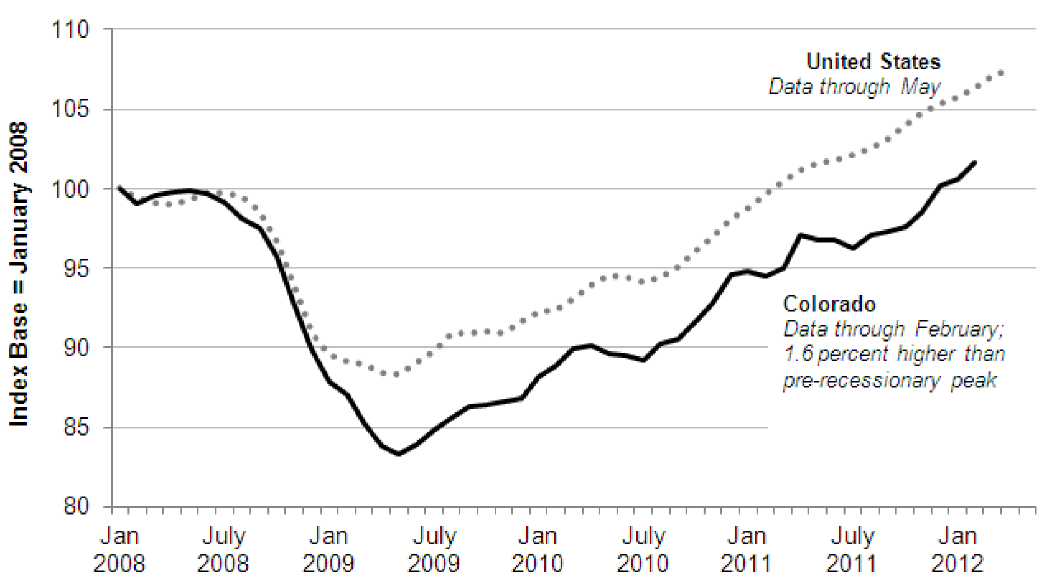
- Wage and salary income will increase 3.5 percent in 2012 and 5.0 percent in 2013 as more jobs are added and wages increase.

Consumer Spending Shows Steady Gains

Retail trade in Colorado continued to grow through 2011. Figure 21 shows Colorado and national retail trade indexed to January 2008. After contracting more quickly than the nation in 2008 and the first half of 2009, Colorado retail trade has grown at healthy rates during the recovery and reached pre-recession levels in late 2011. Growth was broad based, spread across most types of retail stores and in most areas of the state.

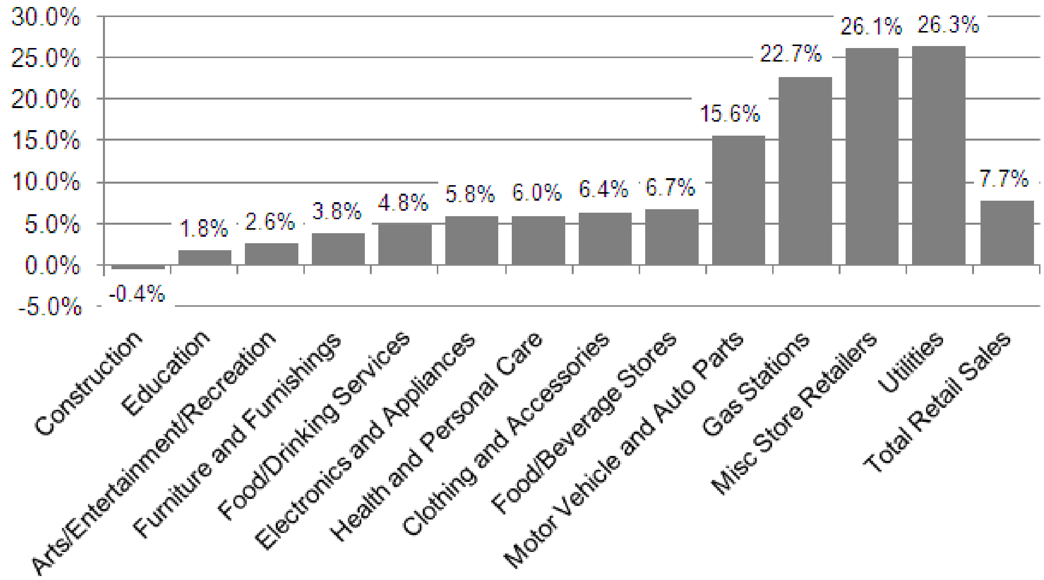
Increased retail sales occurred in most types of retail stores. As shown in Figure 22, sales at automotive stores and gas stations increased 15.6 percent and 22.7 percent, respectively, in 2011. This represents strong demand for new cars and trucks, and the increasing price of gasoline in 2011. Utilities and miscellaneous store retailers grew faster than auto dealers and gas stations, but they make up a relatively small share of retail sales.

Figure 21
Colorado and National Retail Trade Growth
Index of Three-Month Moving Average



Source: U.S. Census Bureau and Colorado Department of Revenue.

Figure 22
Change in Retail Sales by Sector
2001 over 2010, Nominal Values



Source: Colorado Department of Revenue.

- Retail trade is expected to increase 5.1 percent in 2012 and 5.2 percent in 2013. Retail trade will grow faster than wages in 2012 as consumers make purchases to make up for deferred consumption over the past few years before returning to the same growth rate as wage and salary income.

Inflation Expected to Be Modest

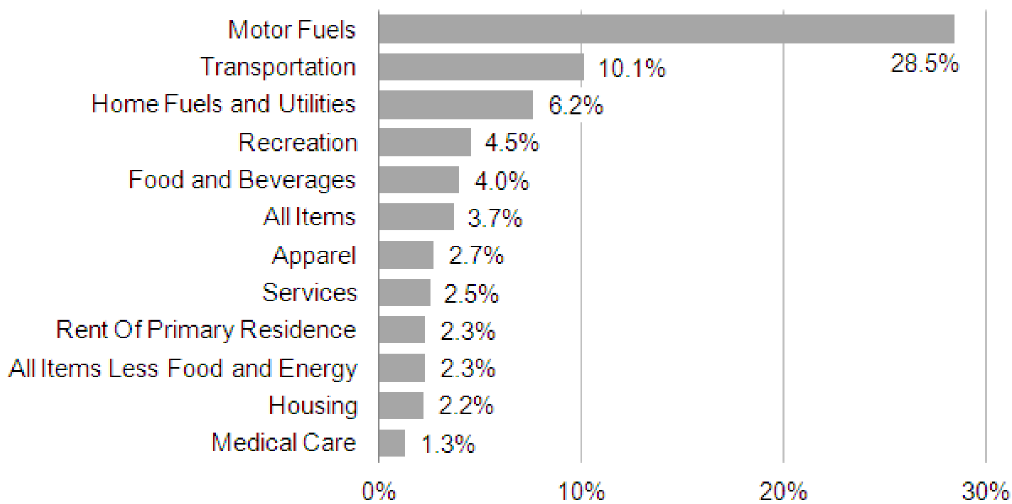
After increasing 1.9 percent in 2010, consumer prices increased 3.7 percent in 2011. As shown in Figure 23, price increases were largely driven by motor fuel, transportation, and home fuel and utility costs. Core inflation (excluding energy and food) rose 2.3 percent in 2011.

- Consumer prices in Colorado are expected to increase 2.3 percent in 2012 and 2.6 percent in 2013. With the slowing global economy, energy and other commodity prices are not expected to contribute significantly to price pressure. In addition, price pressure from the housing portion of the index, which is measured using the rental market as a proxy for home prices, is not expected to be as strong.

Bank Balance Sheets Strengthen

The health of Colorado's banks continued to improve through the first quarter of 2012. As shown in Figure 24, the rebound in the core capital ratio indicates that both the nation's and Colorado's banks have significantly improved their balance sheets. The core capital ratio measures the amount of capital banks hold as a percentage of their assets (or loans), where assets have been adjusted for the risk of default.

Figure 23
Energy Prices Drove 2011 Inflation
Increase in the Denver-Boulder-Greely CPI-U, 2011 over 2010



Source: U.S. Bureau of Labor Statistics.

As a result of the financial crisis, banks tightened loan requirements, cut jobs, closed locations, and increased fees. Credit standards for residential mortgages have been especially tight throughout the recovery. While the banking system continues to be a net drag on economic activity, loan availability has eased somewhat for those with very high credit scores. Figure 24 also shows that net lending from the nation's banks has begun to show small increases in 2011 and the first quarter of 2012. Lending available to consumers and businesses nationwide is more indicative of the opportunities in Colorado because the banking sector is a national market. The economy will continue to grow at rates below its potential until the banking system fully addresses the damage caused by the financial crisis and the concerns of its regulators.

Colorado's Housing Market Is Showing Signs of a Recovery

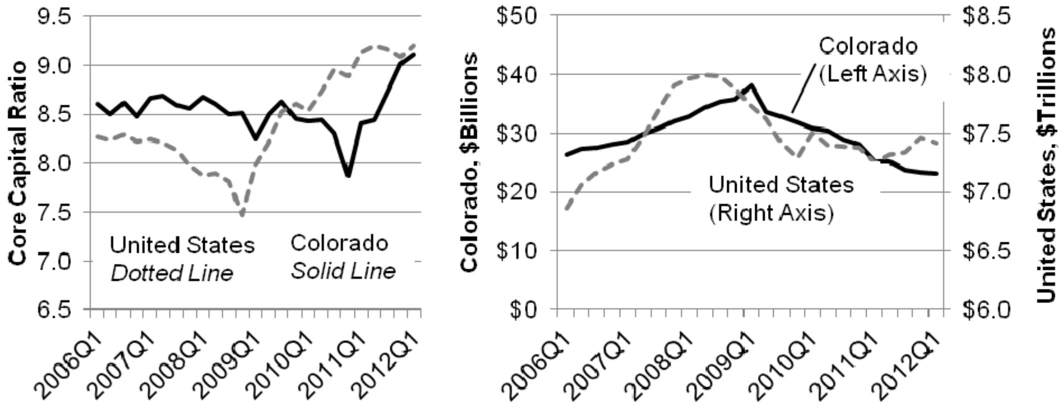
Colorado's housing market is beginning to see signs of a recovery after stabilizing in 2011. However, there are a significant number of foreclosures and distressed homes in the inventory that have not yet been sold. Recent sales activity reported by Metrolist Inc. indicated that the percentage of inventory under contract in the Denver and Front Range areas was up through the first four months of 2012. Mortgage lenders and real estate agents are beginning to see a surge in home buying activity. This surge in sales activity, however, seems to be occurring for homes valued below $400,000. More consumers are beginning to purchase homes as the approval process by mortgage lenders is easing.

However, in many rural areas of Colorado, homeowners are still unable to sell their homes because home values are lower than their outstanding mortgage and foreclosures continue to place downward pressure on prices. Foreclosure sales are slowly working their way through the process, as investors are the primary purchasers.

Figure 24
Banks Are Rebuilding Their Balance Sheets

Core Capital Ratio Indicates Improvements in Bank Balance Sheets

Net Lending Still Decreasing in Colorado
Total Loans and Leases



Sources: Federal Deposit Insurance Corporation. Loans and leases data have been adjusted to exclude a large financial institution that moved to Colorado for only one quarter. In general, the core capital ratio measures cash flow on hand as a percent of total assets, where assets (or loans) are adjusted for the risk of default.

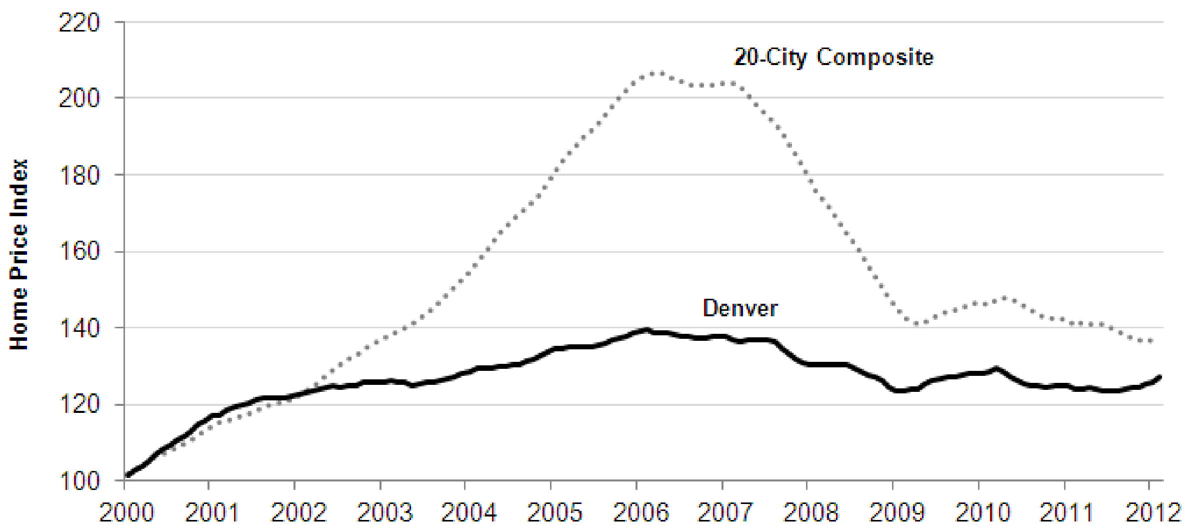
Home prices have stabilized in the Denver area and have held up much better than in other metropolitan areas of the country, as indicated by the S&P/Case-Shiller Home Price Index. Figure 25 shows Denver's home prices and a composite home price index for 20 other metropolitan areas from January 2000 through March 2012. While the overall index decreased 33.8 percent since home prices peaked in April 2006, home prices in the Denver index have fallen only 8.9 percent from its peak. In March, Denver was one of 13 cities in the index that saw home prices rise slightly over the prior month, while home prices in the composite index increased a slight 0.1 percent.

As shown in Figure 26, both **foreclosure filings** and **sales** at auction in Colorado were down through the first quarter of 2012 compared with the same period in 2011. Foreclosure filings decreased 3.7 percent for this period, while foreclosure sales were down 24.7 percent. Foreclosure filings were reduced during 2011 by the lender-initiated slowdown in processing as a result of the robo-signing controversy. This event lowered filings below levels that would have been seen otherwise. The continued slowdown in foreclosure filings indicates that many homes in this status are foreclosures that were initiated three quarters earlier in 2011.

Statewide filings have been falling since their peak in 2009. The sustained decline in filings suggests that households are participating in lender programs to avoid foreclosure. The decrease in foreclosure filings and sales will likely continue through 2012. Continued job gains and fewer foreclosures in the pipeline will work toward strengthening home prices.

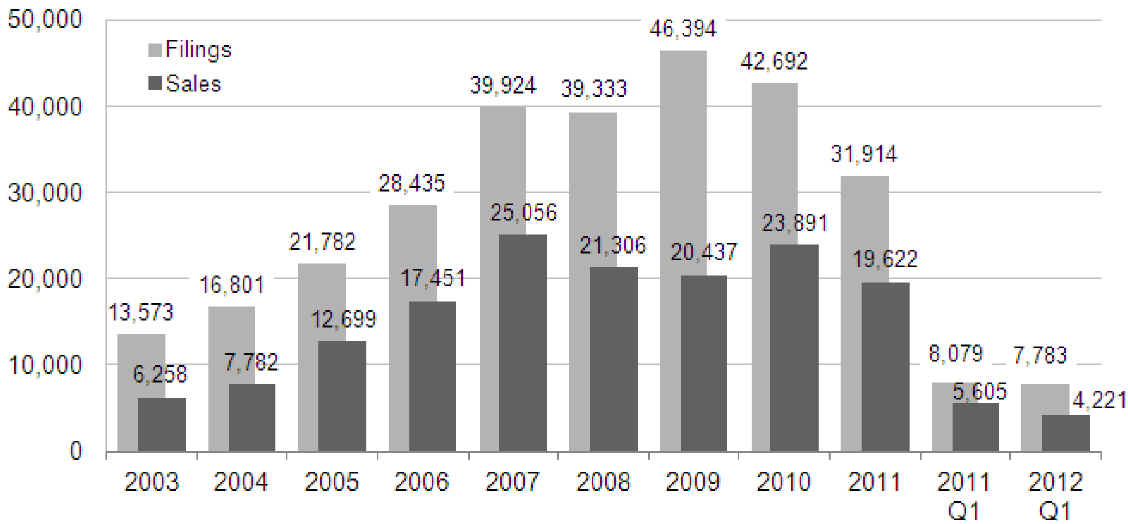
Residential construction activity continues to increase from very low levels. Figure 27 shows a three-month moving average for permits issued to build or renovate single-family and multi-family residences. In total, the number of permits issued for residential construction rose 45.0 percent in the

Figure 25
S&P/Case-Shiller Home Prices Index
Seasonally Adjusted



Sources: Standard & Poors & FiServ. Data through March 2012.

Figure 26
Colorado Foreclosure Filings and Sales



Sources: Colorado Department of Local Affairs, Division of Housing.

first quarter of 2012 over the prior year period. The increase was seen in both single- and multi-family permits.

The recent activity in single-family purchases and low inventory may be driving the 37.0 percent increase in single-family permits as 2,776 permits were issued in the first quarter of 2012, significantly above the 2,022 permits issued in the prior year. Through the first three months of 2012, multi-family permits grew 60.0 percent from 557 permits issued in 2011 to 892 permits issued in 2012.

- In total, the number of home permits issued for residential construction will increase 11.6 percent in 2012 and 16.9 percent in 2013 as the market responds to more home sales and low interest rates. The number of permits issued in 2012, however, will still only be around 15,400 – a relatively low level by historical standards. The continued growth in residential construction activity will depend on inventory levels remaining low, low interest rates, and continued demand in the housing markets.

Nonresidential Construction Buoyed By Health Care

Colorado nonresidential construction had a strong start at the beginning of 2012, boosted by a few very large permits in the hospital sector, as shown in Figure 28. These include a $583 million dollar permit filed in Denver during January and a $616 million permit filed in Adams County in November 2011.

The vacancy rate for Denver metro office space was 17.9 percent during the first quarter of 2012. Given the high vacancy rate for office space, expectations for slow economic growth, and continued tight commercial lending standards, growth in the value of nonresidential construction is expected to resume at low levels throughout the remainder of the forecast period.

- The value of nonresidential construction contracts will decrease 10.5 percent in 2012 and increase 5.2 percent in 2013.

Colorado's Agriculture Industry Is Vibrant

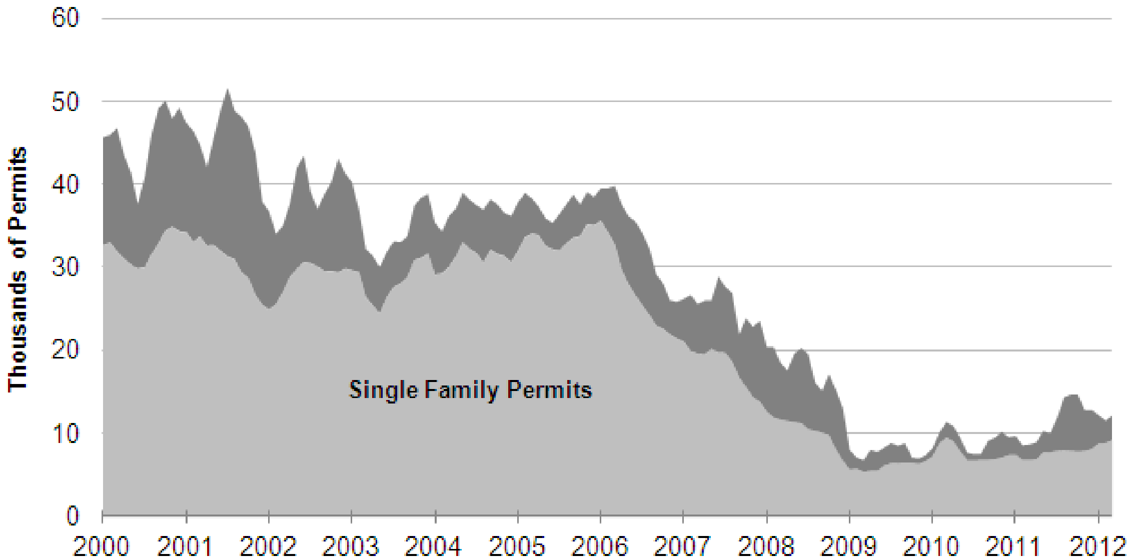
Colorado's $20 billion agriculture industry fuels growth in the rural economies of the state. In 2011, the industry exported $415 million of meat from bovine animals, the second-largest product or commodity export from Colorado in terms of international trade. Farm receipts accounted for $5.5 billion of economic activity, of which $3.3 billion was from livestock and livestock products and $2.2 billion was field, fruit, and vegetable crops.

Agricultural croplands make up 11.5 million acres (17 percent) of the 66.3 million total acres of land in Colorado, of which about 2.6 million acres are irrigated. In 2011, Colorado had 36,100 farms and ranches, of which 81.4 percent are owned by individuals, 10.2 percent are owned as partnerships, and 8.4 percent are owned by corporations and other interests.

The U.S. Department of Agriculture expects winter wheat production to be 95 million bushels in 2012, up 18 percent above 2011 production levels but 13 percent below the winter wheat crop produced in 2010. The average yield is 41 bushels per acre, up 2.0 bushels per acre from the prior year's yield. The most recent crop in 2012 was planted under more favorable weather conditions, which may result in a healthy crop going into the winter dormancy.

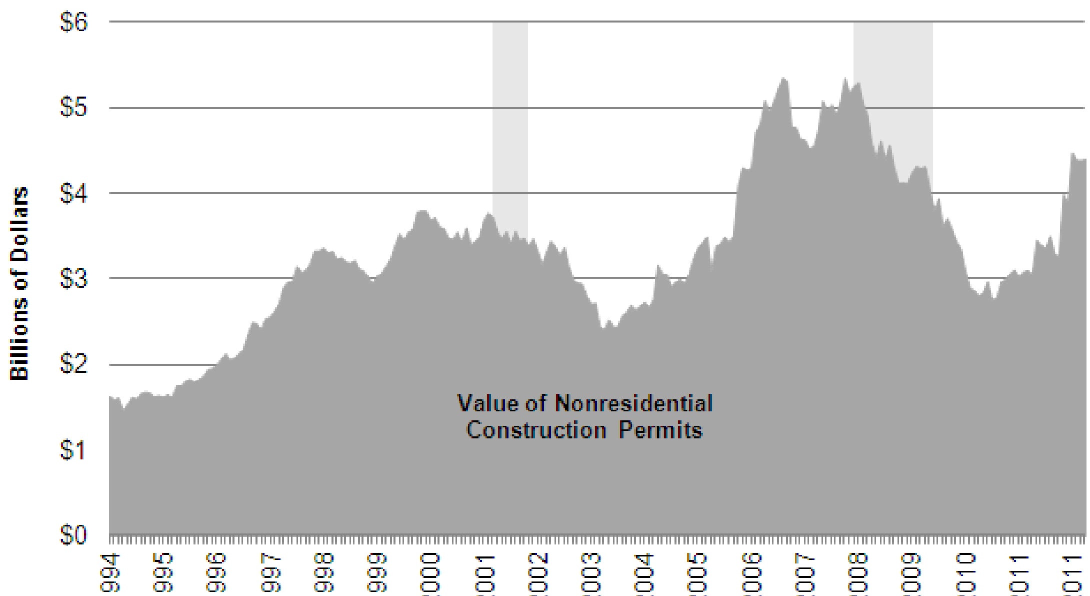
Colorado potato growers and commercial storage facilities in the San Luis Valley had 7.7 million hundredweight of

Figure 27
Multi-Family Drives Increases in Permits for Residential Construction
Three-Month Moving Average; Seasonally Adjusted Annualized Data



Sources: U.S. Census Bureau. Data through March 2012.

Figure 28
Value of Nonresidential Construction
Annualized Monthly Data



Sources: F.W. Dodge Data. Data through April 2012.

potatoes in inventory as of April 2012, up 6.9 percent from the 7.2 million hundredweight in storage during the prior year. The quantity of potatoes sold as a percentage of production has averaged about 85 percent over the past five years.

During 2010 and 2011, the agricultural industry in Colorado (and the nation) saw strong price increases for livestock and crops. Total income for Colorado beef and pork producers totaled $3.3 billion in 2011, up 7.8 percent over the prior year. Gross income from cattle and calves increased 7.0 percent in 2011, amounting to 93 percent of total income from both beef and pork. Crop prices continue to increase slowly from the record high prices in the prior year. Average crop prices were higher in Colorado in April 2012 than in April 2011, except for wheat, potatoes, and Milk.

High prices for crops and livestock have provided a boost to rural economies in Colorado and the nation as consumer spending in rural regions of Colorado has been increasing at robust rates. It is important to note that the boost from Colorado's agriculture industry is not reflected in Colorado's employment statistics because farm employment is very difficult to count and is therefore not included as part of the official published employment statistics.

Energy Industry Driving Regional Variations in Growth

The oil and gas industry has been an important economic driver for regional economies in Colorado, especially in Garfield and Mesa counties in the northwest, La Plata County in the southwest, and Weld County in the north. Figure 29 shows the number of drilling rigs operating in Colorado from January 2000 through early June 2012 in the first panel and the number operating in Garfield County, Weld County, and all other Colorado counties from January 2009 through early June 2012.

Leading Indicators Predict Continued Growth In Employment

There are indicators that can suggest future employment growth in Colorado. This information is helpful when predicting what will happen with employment in the medium term. Legislative Council Staff analysis has shown that the three-month change in seven indicators are particularly helpful in predicting the direction of employment in the medium term.

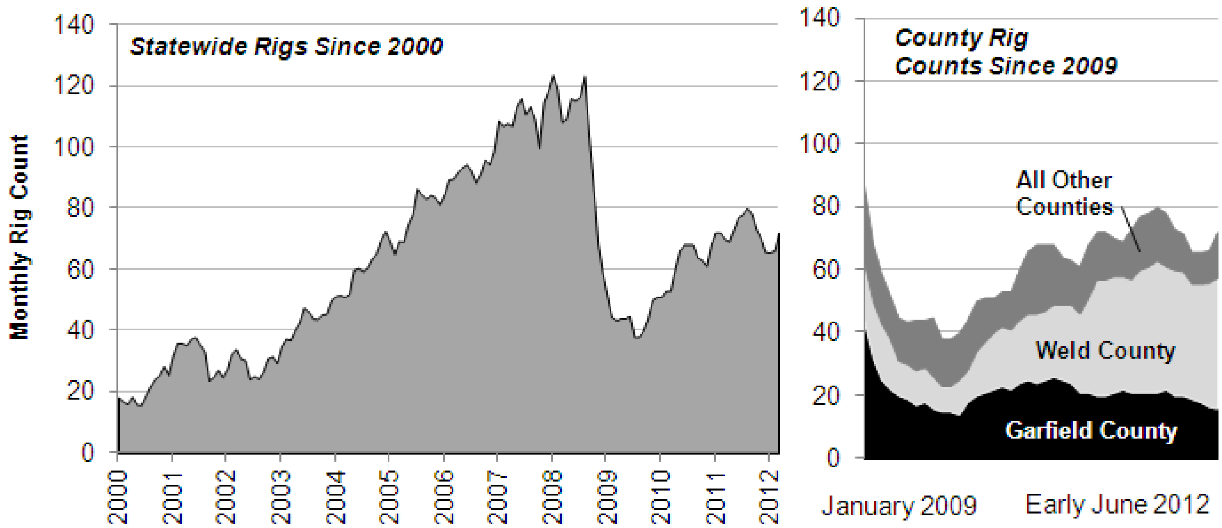
In the past, housing permits have signaled growth four months into the future, and as seen in Figure 30, this indicator is showing decreases when comparing the most recent three-month period with the previous three month period. This suggests weak employment growth in four months. The other six indicators tend to lead employment growth by six to nine months. Five of the six indicators show improvements, suggesting employment growth towards the end of the year.

The leading indicators are not necessarily predictive of the magnitude of the change in jobs, just the direction that jobs are expected to go. In general, if more of the leading indicators show improvement than deterioration, then employment is expected to improve in four to nine months.

Summary

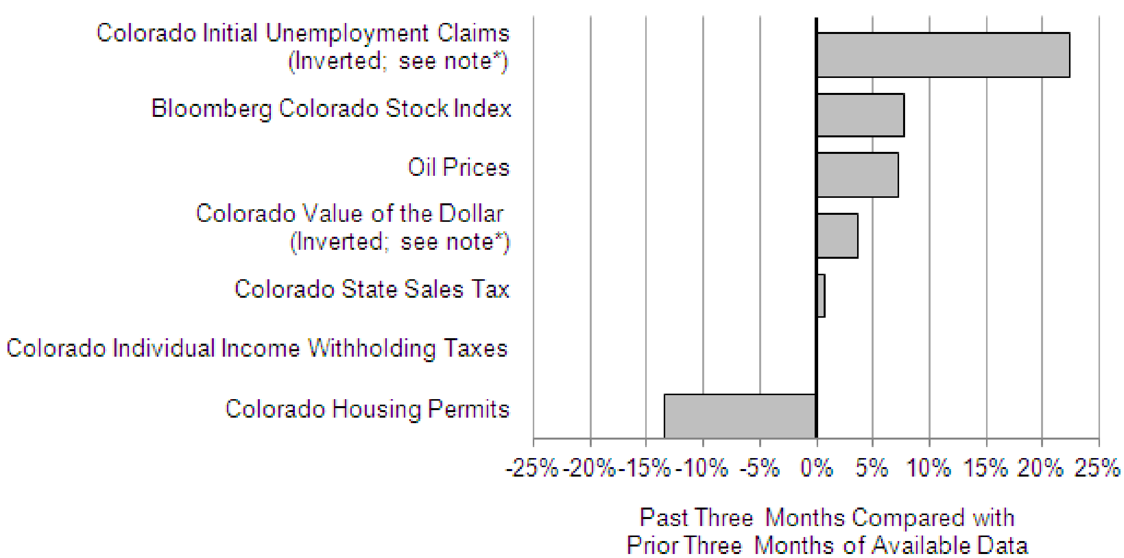
Colorado's economy continues to slowly improve. Employment, income and consumption are all increasing. The housing sector is improving as more homes sell and prices have begun to stabilize. The agricultural sector has had two strong years, bolstering the rural areas of the state, and despite some drought conditions around the state, is expected to continue to grow. However,

Figure 29
Drilling Rigs Operating in Colorado



Sources: Baker Hughes. Data through early June 2012.

Figure 30
Colorado Leading Indicators



Sources: Legislative Council Staff, Colorado Department of Revenue, Federal Reserve Bank of Dallas, the Conference Board, U.S. Bureau of the Census, and the U.S. Bureau of Labor Statistics.
**Note: Decreases in the Colorado value of the dollar and unemployment insurance claims point to expansion.*

global and national economic conditions are slowing growth and Colorado is not insulated from these issues. Demand from outside the state for Colorado products has weakened and the weak national labor market and economic uncertainty will constrain Colorado wage and job growth.

Risks to the Forecast

Like the national economy, Colorado is growing slowly and is working against strong economic headwinds. The Eurozone debt crisis is roiling financial and export markets and growth is slowing in developing countries around the world. The national economic recovery looks to be slowing and there are major fiscal policy changes that could have a significant affect on the economy in addition to creating a crisis in confidence. Colorado is not immune to these impacts, and the already slow growth in the economy makes it more likely that bad economic news will halt the recovery.

However, Colorado appears to be in better shape than the nation as a whole. Employment and wages are growing faster than the nation, suggesting that the labor market is healthier. Retail trade is growing quickly and the housing market is one of the strongest in the nation. If the obstacles at the national and international level are resolved, then Colorado could grow more quickly than expected.

Table 15
Colorado Economic Indicators, June 2012 Forecast
(Calendar Years)

	2007	2008	2009	2010	2011	Forecast 2012	Forecast 2013	Forecast 2014
Population (thousands, July 1)	4,803.9	4,889.7	4,972.2	5,049.1	5,116.8	5,188.4	5,271.4	5,366.3
percent change	1.8%	1.8%	1.7%	1.5%	1.3%	1.4%	1.6%	1.8%
Nonagricultural Employment (thousands)	2,331.0	2,350.4	2,245.2	2,222.4	2,255.8	2,291.8	2,328.5	2,375.1
percent change	2.3%	0.8%	-4.5%	-1.0%	1.5%	1.6%	1.6%	2.0%
Unemployment Rate	3.8	4.8	8.1	8.9	8.4	8.0	7.8	7.5
Personal Income* (millions)	$205,242	$215,952	$205,437	$213,202	$225,591	$232,134	$241,883	$255,912
percent change	5.6%	5.2%	-4.9%	3.8%	5.8%	2.9%	4.2%	5.8%
Wage and Salary Income* (millions)	$112,962	$116,991	$112,633	$114,344	$119,655	$123,843	$130,035	$138,097
percent change	6.7%	3.6%	-3.7%	1.5%	4.6%	3.5%	5.0%	6.2%
Retail Trade Sales* (millions)	$75,329	$74,760	$66,345	$70,738	$75,548	$79,401	$83,530	$88,793
percent change	6.9%	-0.8%	-11.3%	6.6%	6.8%	5.1%	5.2%	6.3%
Home Permits (thousands)	29.5	19.0	9.4	11.6	13.8	15.4	18.0	20.3
percent change	-23.2%	-35.5%	-50.8%	23.9%	19.3%	11.6%	16.9%	12.3%
Nonresidential Building (millions)	$5,259	$4,117	$3,351	$3,102	$3,781	$3,384	$3,560	$3,649
percent change	13.3%	-21.7%	-18.6%	-7.4%	21.9%	-10.5%	5.2%	2.5%
Denver-Boulder Inflation Rate	2.2%	3.9%	-0.6%	1.9%	3.7%	2.3%	2.6%	3.0%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, F.W. Dodge, and Legislative Council Staff.

Colorado Economic Regions

Metro Denver Region
Northern Region
Colorado Springs Region
Pueblo — Southern Mountains Region
San Luis Valley Region
Southwest Mountain Region
Western Region
Mountain Region
Eastern Region

A note on data revisions. Economic indicators reported in this forecast document are often revised by the publisher of the data and are therefore subject to change. Employment data is based on survey data from a "sample" of individuals representative of the population as a whole. Monthly employment data is based on the surveys received at the time of data publication and this data is revised over time as more surveys are collected to more accurately reflect actual employment conditions. Because of these revisions, the most recent months of employment data may reflect trends that are ultimately revised away. Additionally, employment data undergoes an annual revision, which is published in March of each year. This annual revision may effect one or more years of data values.

Like the employment data, residential housing permits and agriculture data are also based on surveys. This data is revised periodically. Retail trade sales data typically has few revisions because the data reflects actual sales by Colorado retailers. Nonresidential construction data in the current year reflects reported construction activity, which is revised the following year to reflect actual construction activity.

Metro Denver Region

The metro Denver region continues to show signs of improvement. The region's job market, which represents over half of the statewide labor market, continues to see moderate employment gains and the unemployment rate continued to decline through April 2012. The region added over 6,000 jobs from January 2012 to April 2012. Consumer spending increased in 2011, but at a slower rate than the previous year. The number of new housing permits increased in the first quarter of 2012, but was still well below prerecession periods. The numbers of nonresidential construction project starts through the first quarter was down compared to the same period a year ago. However, the square footage and value of the projects were larger. Table 16 shows regional economic indicators.

Job Market. The metro Denver labor market continues to recover. Through the first four months of 2012, the region added over 6,000 new jobs, a 2.0 percent increase from the same period a year ago. Figure 31 shows these trends. Metro Denver's unemployment rate continued to fall, as shown in Figure 32. The March 2012 unemployment rate of 7.5 percent is a half percentage point lower from the same time one year ago, and lower than both the national and statewide rates. The March unemployment rate marks the sixth straight month the rate has declined.

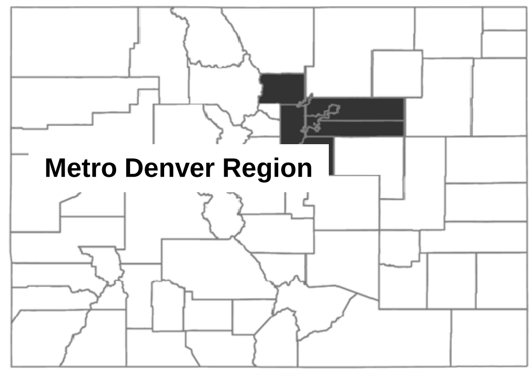


Table 16
Metro Denver Region Economic Indicators
Broomfield, Boulder, Denver, Adams, Arapahoe, Douglas, & Jefferson Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1	1.0%	-4.3%	-0.5%	1.5%	2.0%
Unemployment Rate /2 (2011 Figure is March Only)	4.8%	8.2%	8.8%	7.7%	7.5%
Housing Permit Growth /3					
Single-Family (Denver-Aurora)	-50.1%	-31.8%	35.5%	-0.4%	52.7%
Single-Family (Boulder)	-53.5%	-27.6%	101.0%	-5.2%	19.3%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-13.0%	-20.6%	7.4%	38.2%	121.0%
Square Footage of Projects	-27.6%	-47.8%	-1.8%	25.7%	129.4%
Level (1,000s)	15,761	8,223	8,073	10,150	3,722
Number of Projects	1.7%	-17.6%	-37.2%	-1.2%	-9.7%
Level	1,115	919	577	570	159
Retail Trade Sales Growth /5	-0.8%	-11.4%	6.9%	4.3%	N/A

MSA = Metropolitan statistical area. NA = Not available.
1/ U.S. Bureau of Labor Statistics. CES (establishment) survey for Denver-Aurora-Broomfield and Boulder MSAs. Seasonally adjusted. Data through April 2012.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

3/ U.S. Census. Growth in the number of housing units authorized for construction. Data through April 2012.

4/ F.W. Dodge. Data through April 2012.

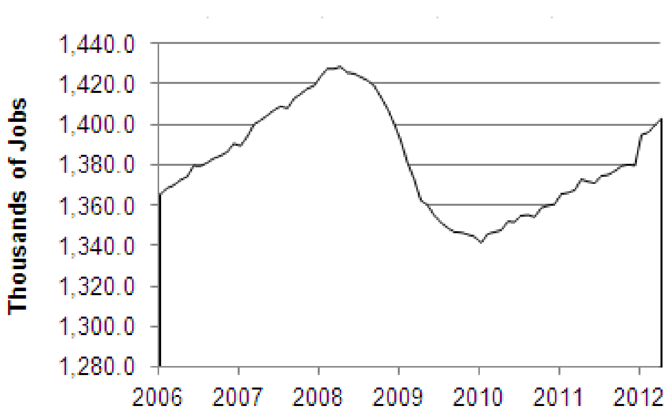
5/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2011.

Consumer Spending. Consumer spending, as measured by retail trade sales, continued to increase in 2011, but at a slower rate. Retail sales increased 4.3 percent in the Metro Denver region in 2011, down from 6.9 percent in 2010. Figure 33 shows this trend through 2012. Retail trade grew slower in the Denver region in 2011 compared with the state. As Figure 34 shows, sales in metro Denver continued to decline after the nation's consumer spending picked up in 2009. Consumer spending in the metro Denver region is expected to continue to grow, though at a pace dampened by high levels of consumer debt and unemployment.

Housing Market. The housing market for the metro Denver region has shown signs of improvement. Year-over-year home prices for the Denver MSA increased for the third straight month, according to the March 2012 Case-Schiller Home Price Index. A report from CoreLogic indicated that home prices, including those for distressed sales, were up 3.5 percent in March from the same month a year earlier. As shown in figure 35, single-family permits for the Denver-Aurora-Broomfield area were significantly up though April 2012, but still below prerecession periods. The region continued to follow the national trend for increased activity in new multifamily construction permits.

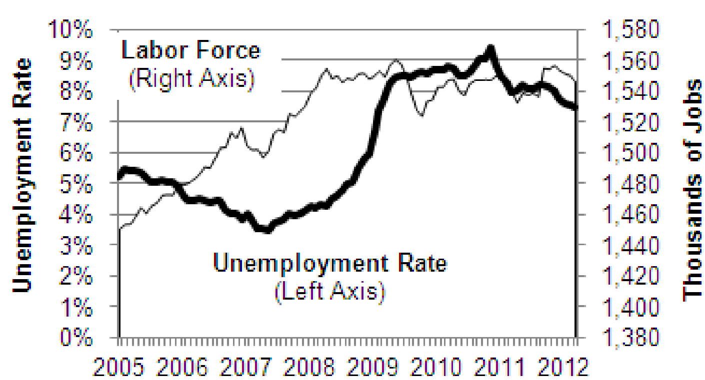
Nonresidential Market. Investment in nonresidential real estate is slowly improving, as shown in Figure 36. The Metro Denver region had 159 nonresidential projects start in the first quarter of 2012. These projects will add over 370,000 square feet to the region's nonresidential inventory. The Denver region continues to have many significant nonresidential projects currently under construction. Among these projects are Exempla St. Joseph's Hospital, the South Terminal at DIA, the veteran's hospital at Fitzsimons and other Fitzsimons expansions, the redevelopment of Union Station and the FasTracks program.

Figure 31
Metro Denver Employment
Seasonally Adjusted



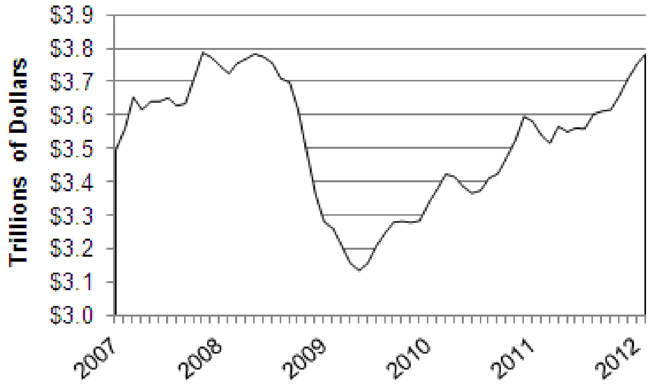
Source: U.S. Bureau of Labor Statistics; CES. Data through April 2012.

Figure 32
Metro Denver's Unemployment Rate Declines
Seasonally Adjusted



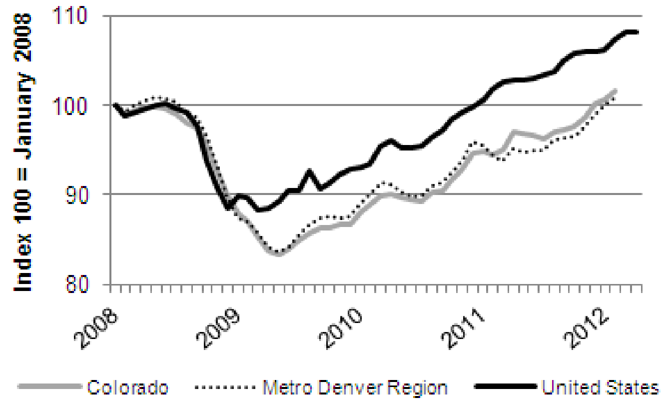
Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 33
Metro Denver Retail Trade Sales
Three-Month Moving Average
Seasonally Adjusted Annualized Data



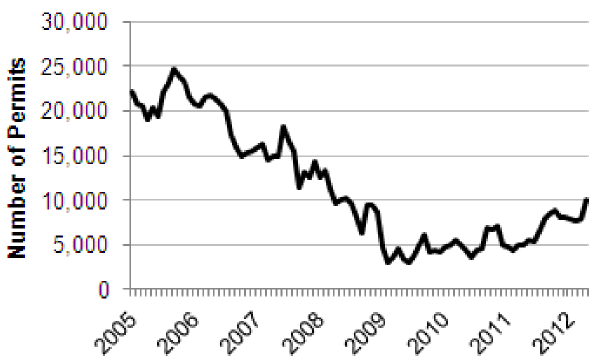
Source: Colorado Department of Revenue. Data through January 2012

Figure 34
Retail Trade Trends Since January 2008
Index 100= January 2008
Three-Month Moving Average;
Seasonally Adjusted Annualized Nominal Data



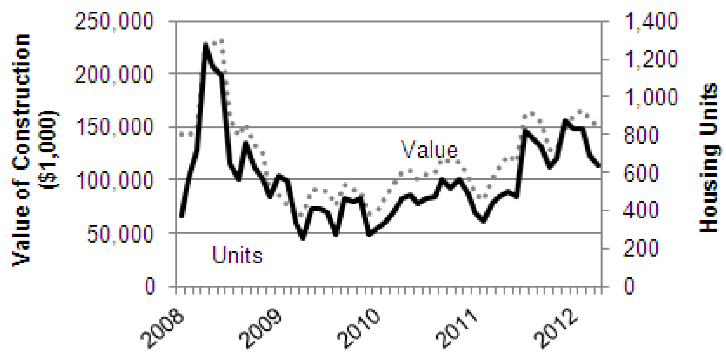
Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2012; U.S. data through April.

Figure 35
Metro Denver Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted Annualized Data



Source: U.S. Census Bureau. Data through April 2012.

Figure 36
Metro Denver Total Nonresidential
Building Permits: Square Feet
Three-Month Moving Average; Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2012.

Northern Region

The economy of the northern region, which recently has been among the strongest in the state, has continued its healthy growth rate through the first quarter of 2012. Employment during this period was up in both major urban areas within the region and the unemployment rate continued to fall. Regional gains in consumer spending remain above the statewide average, with gains especially strong in Weld County. Residential construction increased sharply in both the Fort Collins-Loveland and Greely areas. The region also maintained recent levels of oil exploration activity, as evidenced by the number of drilling rigs operating locally. Table 17 shows regional economic indicators.

Table 17
Northern Region Economic Indicators
Weld and Larimer Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1					
Fort Collins-Loveland MSA	1.0%	-3.2%	0.4%	1.5%	1.9%
Greeley MSA	1.4%	-4.9%	-0.6%	3.0%	0.9%
Unemployment Rate /2 (2012 Figure is March Only)					
Fort Collins-Loveland MSA	4.2%	7.2%	7.4%	6.2%	6.1%
Greeley MSA	5.2%	9.3%	10.2%	8.7%	8.5%
State Cattle and Calf Inventory Growth /3	1.9%	-5.5%	-6.4%	4.0%	-6.4%
Housing Permit Growth /4					
Fort Collins-Loveland MSA Total	-1.0%	-66.0%	154.5%	1.0%	37.2%
Fort Collins-Loveland MSA Single-Family	-36.4%	-49.2%	32.1%	45.7%	59.3%
Greeley MSA Total	-46.8%	-20.6%	10.4%	-3.1%	79.2%
Greeley MSA Single-Family	-45.1%	-13.7%	2.7%	-2.6%	75.6%
Growth in Value of Nonresidential Construction/ 5					
Value of Projects	-8.9%	10.2%	-49.2%	-14.4%	31.3%
Square Footage of Projects	-18.8%	-40.2%	-12.6%	-36.9%	-51.1%
Level (1,000s)	3,425	2,048	1,790	1,129	304
Number of Projects	26.7%	-34.4%	-18.5%	-6.1%	0.0%
Level	247	162	132	124	37
Retail Trade Sales Growth /6					
Larimer County	-0.7%	-8.9%	7.7%	7.9%	N/A
Weld County	2.0%	-15.1%	9.9%	26.3%	N/A

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2012.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

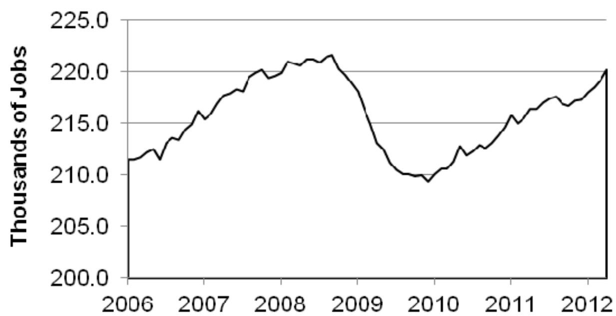
3/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares March 2012 over prior year period in 2011.

4/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2012.

5/ F.W. Dodge. Data through April 2012. Prior forecasts reported Weld and Larimer Counties separately.

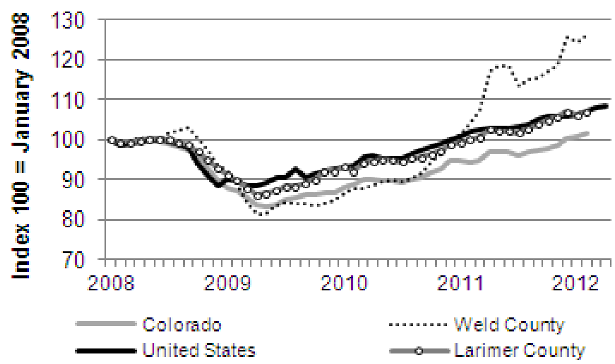
6/ Colorado Department of Revenue. Seasonally adjusted. Data through October 2011.

Figure 37
Fort Collins-Loveland and Greeley MSA Nonfarm Employment
Seasonally Adjusted



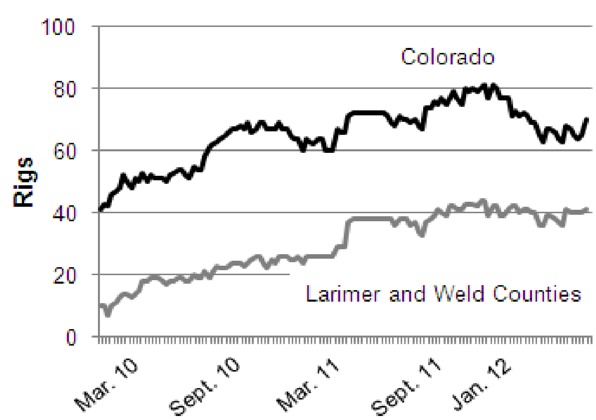
Source: U.S. Bureau of Labor Statistics; LAUS. Data through April 2012.

Figure 38
Trends in Retail Trade Sales Since January 2008
Index of Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through February 2012.

Figure 39
Colorado and Northern Region Operating Rig Count
Weekly Data; Not Seasonally Adjusted



Source: Baker Hughes. Data through May 25, 2012.

The regional labor market continues to show positive signs. As shown in Figure 37, employment in both major metro areas in the region continues to grow, and through April 2012, the region added nearly 4,000 jobs on a seasonally adjusted, annual average basis. The Fort Collins-Loveland area unemployment rate in March was 6.1 percent and remains the lowest among major urban areas in the state. While the unemployment rate in the Greeley area dropped to 8.5 percent, it remains the third highest among the state's urban areas.

Consumer spending in the region, especially in Weld County, continues to rise. Figure 38 indexes changes in retail trade sales for Larimer and Weld counties to retail trade sales statewide. Sales in 2011 increased 7.9 percent and 26.3 percent in Larimer and Weld County, respectively, compared with 2010. The increase is up slightly from the March forecast and the continued trend is encouraging. Sales in both counties are tracking above statewide levels, and sales in Weld County increased markedly in the latter half of 2011.

Agriculture is a key component of the region's economy. Livestock production is especially important as the region continues to be the state's leader. State cattle and calf production declined 6.4 percent in April 2012 over April 2011.

Regional oil and natural gas activity is likely to remain strong through 2012 with continued interest in the Niobrara formation in the Wattenberg field. The pace of drilling continues unabated in the region as operators employ horizontal drilling techniques to explore the Niobrara formation in the Wattenberg field. Figure 39 shows the rig count for the northern region and Colorado as a whole. The regional rig count remained constant since the end of 2011, while total rigs operating in Colorado have declined 9.1 percent during that same period.

Growth in residential construction activity in the first part of 2012 was strong in both metropolitan areas within the region. The overall number of housing permits in the Fort Collins-Loveland area was up 37.2 percent compared with the first four months of 2011, and single family permits increased 59.3 percent. Likewise, overall permits were up 79.2 percent, and single family permits increased 75.6 percent in the Greeley area. Through the first four months of 2012, the value of regional nonresidential construction increased 31.4 percent after falling the last two years. While nonresidential construction is highly volatile and has begun to show strong growth, it is expected to remain at relatively low levels for the foreseeable future.

Colorado Springs Region

The Colorado Springs region is still showing only weak signs of recovery. Although growth in consumer spending is slightly above the statewide average, the labor market shows only modest improvement and remains among the weakest in the state. Residential construction has increased, but it is still at historic lows. Nonresidential commercial construction activity is showing mixed signs of growth. Table 18 shows economic indicators for the region.

The area's employment has grown very slowly in the first four months of 2012, growing 0.5 percent over the same time period in 2011, as shown in Figure 40. Figure 41 shows the decline in the region's unemployment rate. After falling sharply in the first half of 2011, the unemployment rate has since remained stubbornly high. The region's unemployment rate was 9.0 percent in March 2012, significantly higher than the 7.8 percent statewide rate.

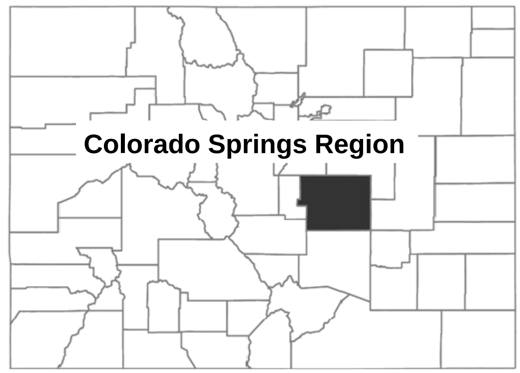


Figure 42 compares changes in the regions consumer spending to changes for the nation and state. Although growth slowed in the second half of the year, consumer spending in the region grew by 8.3 percent in 2011 compared with the prior year.

Table 18
Colorado Springs Region Economic Indicators
El Paso County

	2008	2009	2010	2011	YTD 2012
Employment Growth /1					
Colorado Springs MSA	-0.9%	-3.9%	-0.9%	1.1%	0.5%
Unemployment Rate /2	5.6%	8.8%	9.8%	9.0%	9.0%
(2012 Figure is March Only)					
Housing Permit Growth /3					
Total	-36.1%	-33.4%	27.9%	29.1%	31.0%
Single-Family	-42.2%	-16.7%	23.2%	-3.8%	28.2%
Growth in Value of Nonresidential Const. /4					
Value of Projects	-96.9%	-46.2%	-7.4%	10.7%	49.3%
Square Footage of Projects	-48.2%	-26.1%	-35.0%	15.2%	-58.7%
Level (1,000s)	3,052	2,255	1,467	1,689	216
Number of Projects	0.6%	-8.6%	23.0%	10.7%	-8.5%
Level	324	296	364	403	108
Retail Trade Sales Growth /5	-2.7%	-6.2%	7.8%	8.3%	N/A

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. Seasonally adjusted. Data through April 2012.

2/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2012.

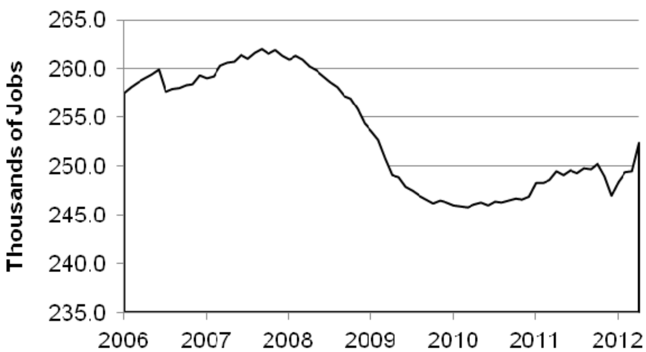
4/ F.W. Dodge. Data through April 2012.

5/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2011.

As shown in Figure 43, through April of 2012, residential construction has increased 31.0 percent compared with the same time period in the prior year. Home building remains at historically low levels in the region, but single family permits began to post increases in the first four months of 2012. Foreclosure filings were down 7.1 percent through the first four months of 2012 compared with the same time period last year.

Nonresidential construction activity has shown mixed signs of growth in the first four months of 2012. The value of nonresidential construction projects increased 49.3 percent through April of 2012 compared with the same period in the prior year, while the number and square footage of nonresidential construction projects both declined. This indicates that the new construction has a relatively higher value per square foot, than previous construction projects.

Figure 40
Colorado Springs MSA Nonfarm Employment
Seasonally Adjusted

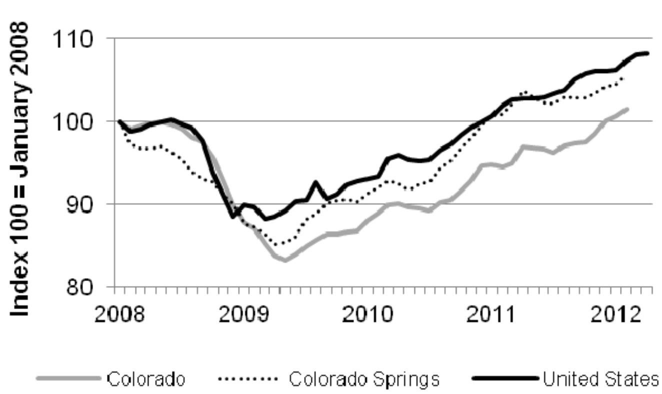


Source: U.S. Bureau of Labor Statistics; CES.
Data through April 2012.

Figure 41
Colorado Springs MSA
Unemployment Rate and Labor Force
Seasonally Adjusted

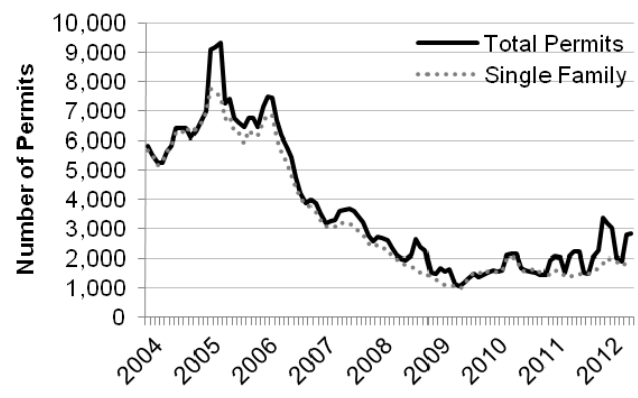
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2012.

Figure 42
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Annualized Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February; U.S. data through April.

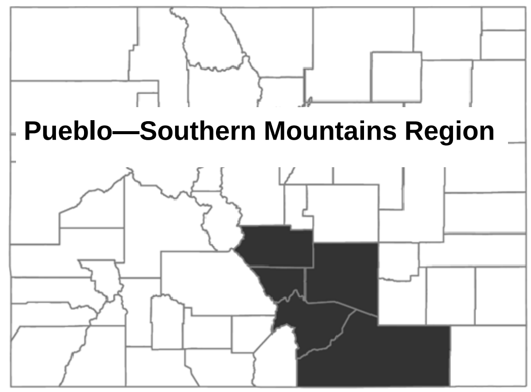
Figure 43
Colorado Springs MSA Residential Building Permits
Three-Month Moving Average;
Seasonally Adjusted



Source: U.S. Census Bureau. Data through April 2012.

Pueblo — Southern Mountains Region

The economy has lost momentum in the Pueblo – Southern Mountains region. The Pueblo region still had the highest unemployment rate among all the regions statewide in March 2012. Employment saw no growth between 2011 through March 2012. The residential housing market is flat compared with the same period one year ago, and nonresidential construction remains low. However, the Pueblo region's consumer spending in the region did grow at a healthy rate in 2011 and in the first few months of this year. Table 19 shows economic indicators for the region.



As shown in Figure 44, employment estimates showed there were 57,700 jobs in the Pueblo MSA in April 2012, down 300 jobs from the previous month, leaving them still up 0.3 percent year-to-date. The unemployment rate for the Pueblo region rose 0.1 percentage points in March 2012 to 9.8 percent. The Pueblo region's rate was higher than the State's rate for March 2012 and is the highest among all the regions.

Figure 45 indexes the Pueblo region's consumer spending, as measured by retail trade sales, to that of the state and the nation. The region's retail sales

Table 19
Pueblo Region Economic Indicators
Pueblo, Fremont, Custer, Huerfano, and Las Animas Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth					
Pueblo Region /1	0.0%	-1.9%	-1.2%	0.7%	0.0%
Pueblo MSA /2	0.5%	-2.3%	0.2%	1.7%	0.3%
Unemployment Rate /1	6.0%	9.2%	10.4%	9.8%	9.8%
(2012 Figure is March Only)					
Housing Permit Growth /3					
Pueblo MSA Total	-38.6%	-9.4%	-37.9%	-49.6%	-6.4%
Pueblo MSA Single-Family	-42.8%	-51.5%	13.6%	-45.5%	2.3%
Growth in Value of Nonresidential Construction /4					
Value of Projects	52.8%	-67.6%	-71.5%	3.0%	1598.8%
Square Footage of Projects	11.0%	-76.5%	-62.2%	-58.1%	1791.9%
Level (1,000s)	1,403	330	125	52	210
Number of Projects	44.1%	-50.0%	-20.4%	2.6%	-42.9%
Level	98	49	39	40	8
Retail Trade Sales Growth /5	-1.7%	-4.7%	6.8%	9.5%	N/A

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2012.

3/ U.S. Census Bureau. Growth in the number of housing units authorized for construction. Data through April 2012.

4/ F.W. Dodge. Data through April 2012. Prior Forecast Documents only had nonresidential construction data for Pueblo County.

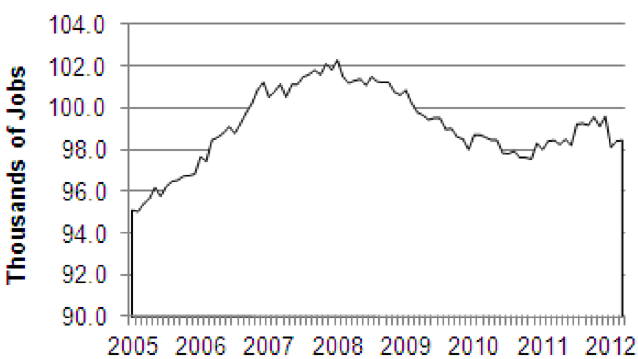
5/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2011.

increased 9.5 percent in 2011. This marks the second consecutive year the region's retail sales have increased. The Pueblo region's retail sales continue to grow faster than the state.

The Pueblo MSA residential construction market continues to struggle. After strong growth in the number of new residential permits in 2010, the number of new single family permits declined by almost half in 2011. Compared with the same period one year ago, the number of single family permits in 2012 was flat. As of April 2012, there were a total of 44 new permits issued for the Pueblo region, down 6.4 percent compared with the same period one year ago. Residential construction activity is expected to remain modest for several years. Figure 46 shows recent trends in the number of permits filed for home building in the Pueblo metropolitan area.

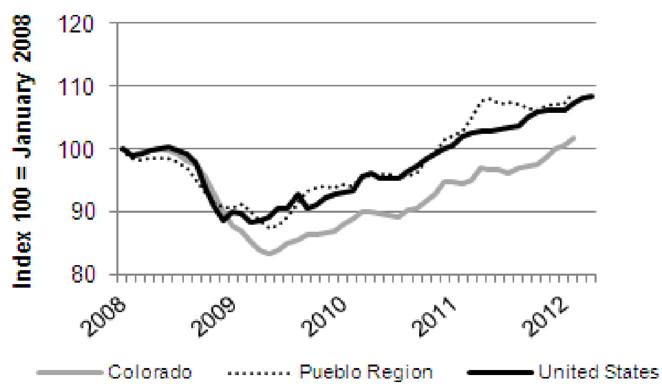
Nonresidential construction in the region remains at low levels, as shown in Figure 47. Pueblo County had a surge of construction beginning at the end of 2008 that peaked in mid-2009. The number of new nonresidential projects is down in 2012 compared with same time period last year. The large increase in the value and square footage is mainly due to the new Pueblo County Judicial Building, which broke ground in February of 2012.

Figure 44
Pueblo Region Nonfarm Employment
Seasonally Adjusted



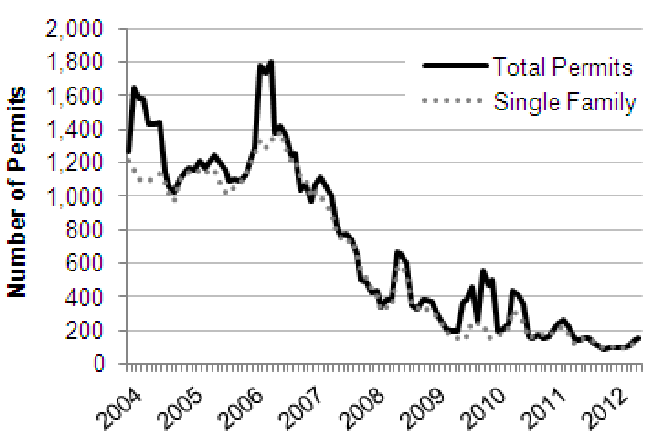
Source: U.S. Bureau of Labor Statistics; CES. Data through March 2012.

Figure 45
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



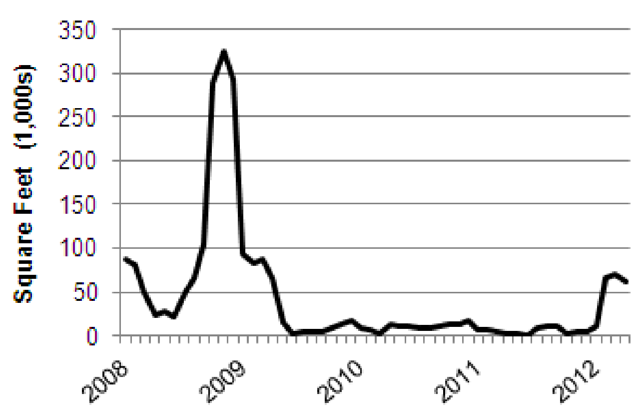
Source: Colorado Department of Revenue and U.S. Census Bureau.

Figure 46
Pueblo MSA Residential Building Permits
Three-Month Moving Average; Seasonally Adjusted Data



Source: U.S. Census Bureau. Data through April 2012.

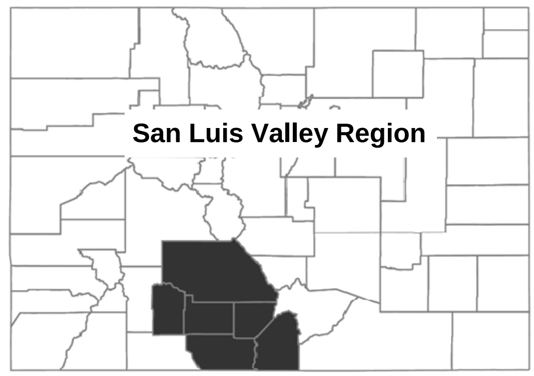
Figure 47
Pueblo Nonresidential Building Permits: Square Feet
Three-Month Moving Average; Non-Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2012.

San Luis Valley Region

The six-county San Luis Valley region's economy is growing slowly in 2012 after high crop prices fueled the recovery in 2011. Nonfarm employment posted modest growth in the first quarter of 2012 following decreases in 2011 and 2010. Due to the reliance on agriculture-based industries, the region experiences different economic trends than more urban areas of the state. The region saw growth in consumer spending in 2011, although the gains are modest compared to prior years. Nonresidential construction grew modestly in 2011 but is declining through the first four months of the year. Residential housing is beginning to grow slowly. Table 20 shows economic indicators for the region.



The region's employment grew 1.5 percent through the first three months of the year after posting declines in 2011 and 2010. As shown in Figure 48, the unemployment rate was 8.6 percent in March, higher than the statewide rate of 7.8 percent. It is important to note that these job statistics are based on nonfarm employment data that is not affected by the stabilizing influence of the agricultural industries in the region and that labor market data can be revised significantly for rural areas.

Table 20
San Luis Valley Region Economic Indicators
Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1	-2.8%	4.7%	-2.0%	-0.8%	1.5%
Unemployment Rate /1	6.0%	7.6%	8.7%	8.7%	8.6%
(2012 Figure is March Only)					
Statewide Crop Price Changes /2					
Barley (U.S. average for all)	49.6%	-15.5%	23.1%	40.9%	23.1%
Alfalfa Hay (baled)	18.0%	-20.7%	82.1%	84.6%	82.1%
Potatoes	21.0%	-46.6%	-18.5%	-16.9%	-18.5%
SLV Potato (Inventory CWT) /2	4.4%	5.0%	6.9%	4.0%	6.9%
Housing Permit Growth /3	-6.2%	-31.7%	14.0%	-8.5%	32.3%
Growth in Value of Nonresidential Construction /3					
Value of Projects	-62.9%	1430.9%	-55.4%	83.1%	-84.9%
Square Footage of Projects	12.4%	-96.3%	11022.9%	-31.1%	55.3%
Level (1,000s)	46	2	189	130	202
Number of Projects	14.3%	-0.1%	62.5%	-23.1%	0.0%
Level	8	8	13	10	10
Retail Trade Sales Growth /4	3.4%	-1.6%	3.7%	5.9%	N/A

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

2/ National Agricultural Statistics Service. 2012 crop price changes compares April 1, 2012 to April 1, 2011. SLV Potato (production CWT) for commercial storage facilities in the San Luis Valley as of April 1, 2011.

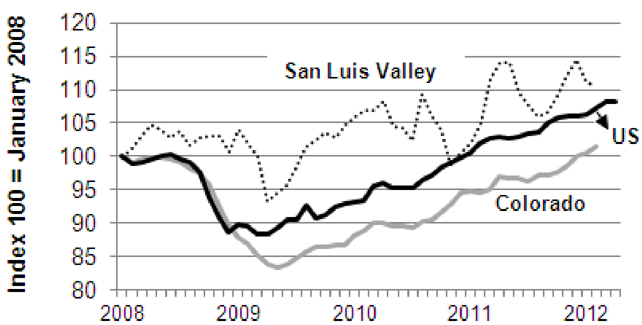
3/ F.W. Dodge. Data through April 2012. Prior forecasts only used data for Alamosa County.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through 2011.

Figure 48
San Luis Valley Region
Unemployment Rate and Labor Force
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 49
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2012. U.S. data through April 2012.

Figure 49 indexes changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Consumers in the San Luis Valley were spending during the recession at a higher level than the rest of the state and the nation. Consumer spending in the region increased 5.9 percent in 2011 after increasing 3.7 percent in 2010.

The San Luis Valley region has the smallest economy of all regions of the state and thus, economic indicators tend to be particularly volatile. As an example, the value of nonresidential construction activity in Alamosa County, the largest county in the region, saw significant growth in 2011 almost entirely because of the construction of new educational facilities in the area. For 2012, the value of nonresidential construction fell 84.9 percent through the first four months of 2012. Meanwhile, the residential housing industry has begun to improve from very low levels as the number of permits filed for new homes increased 32.3 percent through the April 2012.

The agricultural industry in the region is healthy despite dry weather conditions. For example, the number of farms and ranches in Colorado in 2011 totaled 36,700, up 300 over the prior year. The potato industry, which is one of the main agricultural industries in the region, posted a higher inventory as commercial storage facilities in the San Luis Valley had 7.7 million hundredweight of potatoes on hand in April 2012, up 6.9 percent from the 7.2 million in the prior year. Barley and Alfalfa Hay prices rose 23.1 percent and 82.1 percent, respectively, while prices for potatoes were down 18.5 percent.

Southwest Mountain Region

The southwest mountain region continues to show signs of economic growth. Consumer spending continues to climb, the unemployment rate is down, and employment is growing. The housing and construction sectors, however, continue to struggle. Table 21 shows economic indicators for the region.

As shown in Figure 50, nonfarm employment grew 1.6 percent in the first three months of 2012, after a slight dip at the end of 2011. As shown in Figure 51, the unemployment rate has fallen as employment gains have offset the increase in the number of people in the labor force. The unemployment rate fell to 7.0 percent by March 2012, which was one of the lowest rates for all regions in the state.

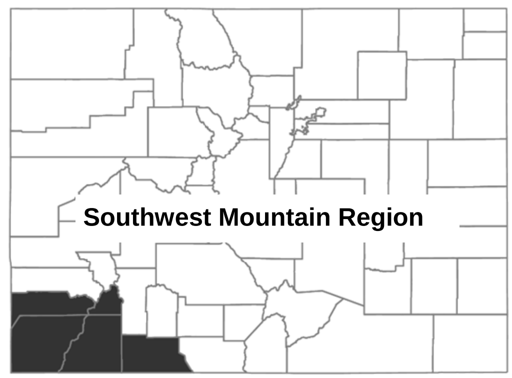


Figure 52 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Through December 2011, retail trade increased 9.1 percent compared with the same period in 2010, but still remains below pre-recessionary levels.

The construction industry continues to be a drag on the southwest region. As shown in Figure 53, residential home construction, as measured by area home permits,

Table 21
Southwest Mountain Region Economic Indicators
Archuleta, Dolores, La Plata, Montezuma, and San Juan Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1	-1.1%	-2.9%	-3.2%	0.2%	1.6%
Unemployment Rate /1 (2012 Figure is March Only)	4.3%	7.1%	8.3%	7.2%	7.0%
Housing Permit Growth /2	-44.8%	-23.7%	38.0%	-29.5%	6.0%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-82.8%	83.8%	-46.8%	-52.1%	-83.1%
Square Footage of Projects	-71.0%	-11.6%	-60.5%	30.8%	48.9%
Level (1,000s)	217	192	76	99	7
Number of Projects	0.0%	-12.0%	0.0%	-36.4%	0.0%
Level	25	22	22	14	3
Retail Trade Sales Growth /3	-0.7%	-13.9%	1.6%	9.1%	N/A

NA = Not Available.

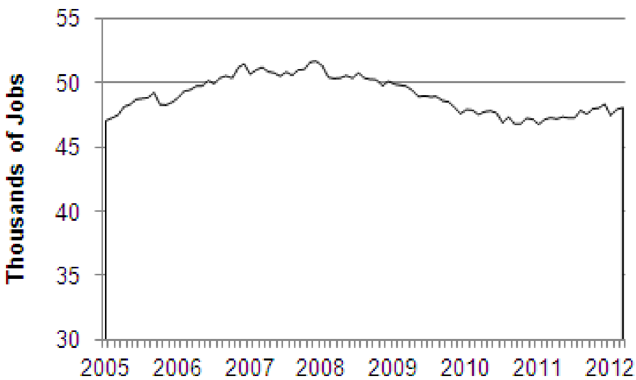
1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

2/ F.W. Dodge. Data through April 2012. Prior forecasts only had data for La Plata County only.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through December 2011.

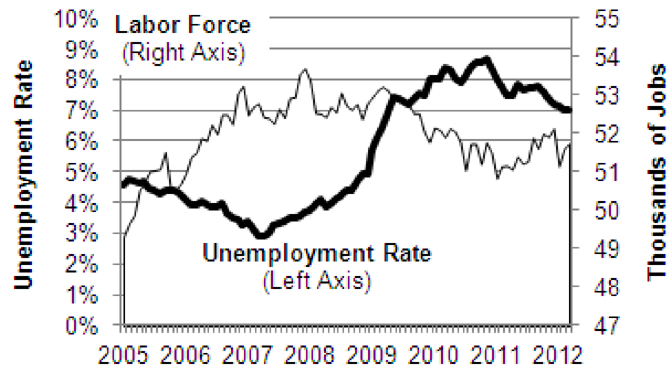
increased 6.0 percent between January and April of 2012, compared with the same period in 2011. The value of nonresidential construction permits decreased 83.1 percent in the first four months of 2012 compared with the same time period in 2011, while the square footage of projects increased 48.9 percent. The declining value per square foot of permits filed for nonresidential construction indicates more basic construction projects are occurring in this area.

Figure 50
Southwest Mountain Region Nonfarm Employment
Seasonally Adjusted



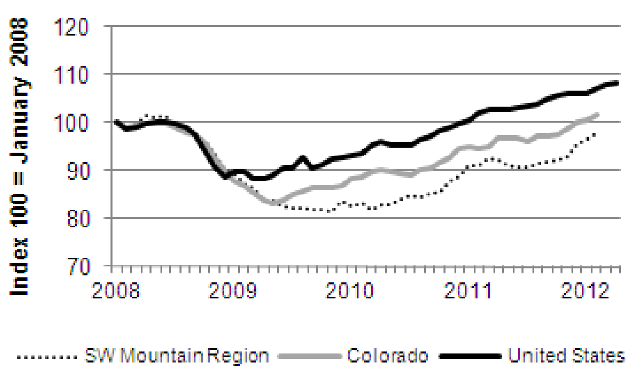
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2012.

Figure 51
Southwest Mountain Region
Unemployment Rate and Labor Force
Seasonally Adjusted



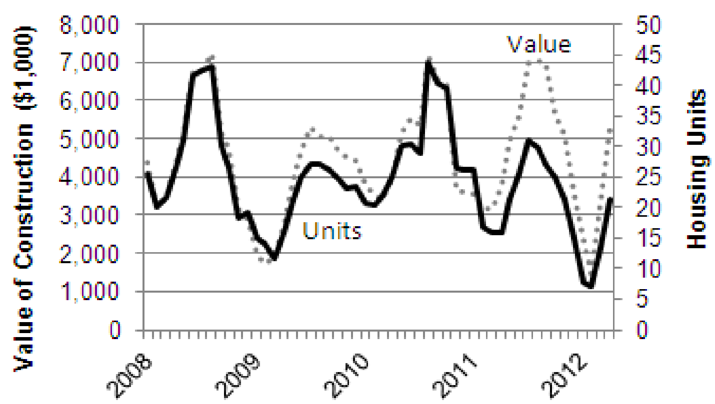
Source: U.S. Bureau of Labor Statistics; LAUS.
Data through March 2012.

Figure 52
Trends in Retail Trade Sales Since January 2008
Index 100 = January 2008
Index of Three-Month Moving Average;
Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2012.

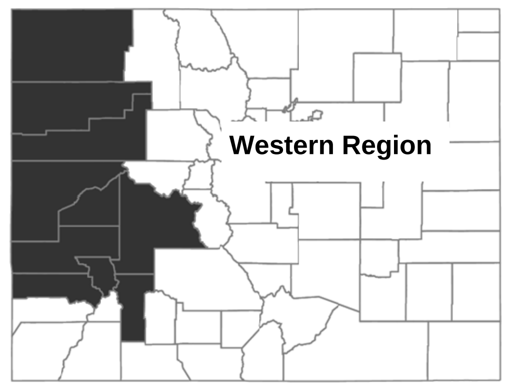
Figure 53
Southwest Mountain Nonresidential Building Permits
Three-Month Moving Average; Seasonally Adjusted



Source: F.W. Dodge. Data through April 2012.

Western Region

The western region is showing signs of recovery as jobs are on the rise and the unemployment rate is falling from its previously high historic levels. After stabilizing in 2010, consumer spending rebounded in 2011. The residential housing market is also beginning to see some growth in housing permit activity although home foreclosures filings remain high and home prices remain depressed. Despite some gains, the commercial construction market is slow and the number of drilling rigs operating in the region has declined as prices for natural gas remain at record lows and most of the energy-related activity is occurring in Larimer and Weld counties. Table 22 shows economic indicators for the region.



The region's job market continues to post new jobs after seeing slow employment growth in 2011. As shown in Figure 54, employment in the Grand Junction metropolitan area was up 2.7 percent year-to-date through April 2012. The region as a whole posted a 2.2 percent gain as 3,828 new jobs were created over the past year through March 2012. These changes are markedly different than the declines of the last two years. The unemployment rate fell to 8.1 percent in March, down from 8.4 percent in 2011 and 10.1 percent in 2010, as shown in Figure 55. It is important to note that employment data can be revised significantly in rural parts of the state.

Table 22
Western Region Economic Indicators
Delta, Garfield, Gunnison, Hinsdale, Mesa, Moffat, Montrose, Ouray, Rio Blanco, and San Miguel Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth					
Western Region /1	2.1%	-5.6%	-5.4%	0.1%	2.2%
Grand Junction MSA /2	4.8%	-6.6%	-4.5%	1.0%	2.7%
Unemployment Rate /1	3.8%	8.4%	10.1%	8.4%	8.1%
(2012 Figure is March Only)					
Housing Permit Growth /3	-36.6%	-51.1%	0.5%	-19.6%	12.2%
Growth in Value of Nonresidential Construction /3					
Value Projects	-27.4%	-17.6%	16.7%	-59.4%	-51.8%
Square Footage of Projects	-9.8%	-38.9%	26.9%	-58.8%	-27.1%
Level (1,000s)	1,693	1,035	1,314	541	61
Number of Projects	23.1%	-6.7%	-31.7%	-31.6%	25.0%
Level	149	139	95	65	15
Retail Trade Sales Growth /4	1.2%	-19.1%	1.8%	8.8%	N/A

MSA = Metropolitan statistical area. NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

2/ U.S. Bureau of Labor Statistics. CES (establishment) survey. Seasonally adjusted. Data through April 2012.

4/ F.W. Dodge. Data through April 2012. Prior forecasts had data for Mesa and Montrose Counties only.

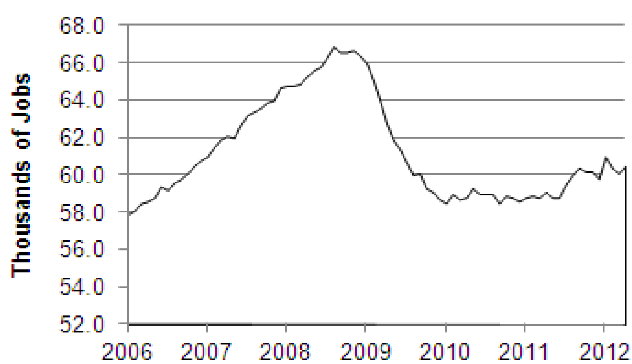
5/ Colorado Department of Revenue. Seasonally adjusted. Data through 2011.

Figure 56 indexes consumer spending, as measured by retail trade, in the region to that in the state and nation. Sales in the western region increased at a robust pace of 8.8 percent in 2011 after seeing retail trade sales grow at 1.8 percent in 2010. Sales in 2012 are showing moderate growth through the first two months of the year.

The region's residential housing market is seeing some building activity as housing permits rose 12.2 percent through the first four months of the year. However, foreclosure filings in Mesa County were up significantly in 2012. Filings through the first four months of 2012 totaled 440, up 19.6 percent from 368 filings during the prior-year period. This activity may be driving home prices lower as the median home sale price in the first quarter of 2012 was $152,600, down 10.5 percent from the fourth quarter in 2011. In turn, foreclosure sales during the first four months of 2012 were down 18.3 percent from the prior-year period. This may be an indication of ongoing bank and lender issues tied to the foreclosure home sales market. Nonresidential construction activity in this region remains sluggish as the value of nonresidential construction activity declined 51.8 percent.

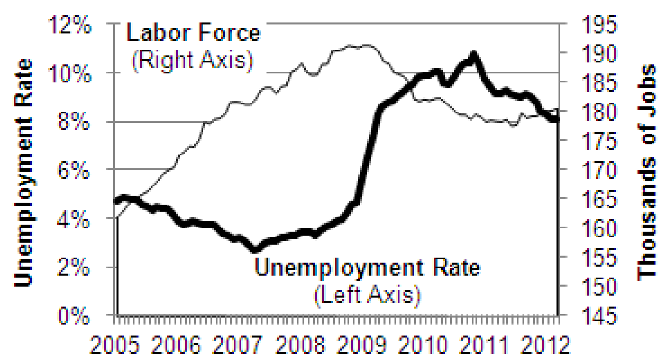
Expansion of the region's energy production sector, which had been among the most vibrant in the state over the last decade, has slowed as prices for natural gas remain low. The northern region of the state, where most of the output is oil, is now the most active in terms of drilling activity. Figure 57 shows that the western region accounts for less than a third of the total number of rigs operating in the state, with most of activity occurring in Garfield County. Through the first five months of 2012, the number of rigs operating in the region declined to 22 rigs, down from a high of 35 in March 2011.

Figure 54
Grand Junction MSA Nonfarm Employment
Seasonally Adjusted



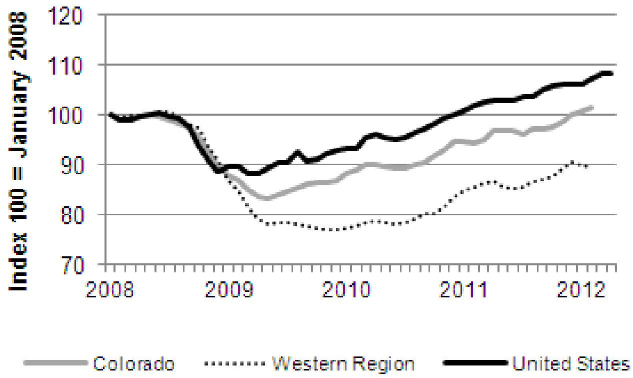
Source: U.S. Bureau of Labor Statistics; CES. Data through March 2012.

Figure 55
Western Region Unemployment Rate and Labor Force
Seasonally Adjusted



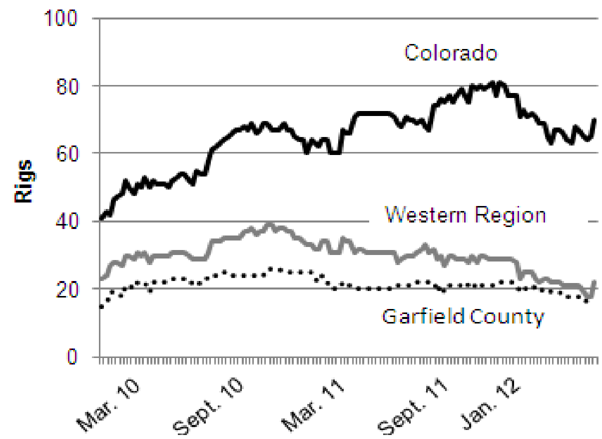
Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 56
Trends in Retail Trade Sales Since January 2008
Three-Month Moving Average; Seasonally Adjusted Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through January 2012 and U.S. data through April 2012.

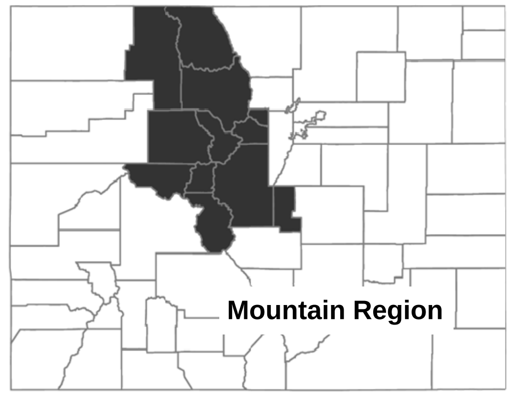
Figure 57
Drilling Rigs Operating in Colorado and on the Western Slope
Weekly data; Not Seasonally Adjusted



Source: Baker Hughes. Data through May 25, 2012.

Mountain Region

Economic conditions in the mountain region continue to improve. Regional employment continues its slow but steady climb while unemployment rates in the region are the lowest they've been in three years. Consumer spending completed its second consecutive year with positive growth, even though growth was somewhat dampened by the poor snow conditions last winter. Growth in residential construction appears to be accelerating after several consecutive years of decline. Table 23 shows economic indicators for the region.



The mountain region's job market continues to improve, adding 1,000 jobs in the first three months of 2012 and 4,000 since the same period a year ago. The region's unemployment rate was 7.2 percent in March, down from December and the lowest rate in three years. Employment levels continued to slowly but steadily increase through March, as they have since late 2010. Figure 58 shows recent trends in the area's nonfarm employment and Figure 59 shows recent trends in the unemployment rate and labor force for the region.

Regional retail trade sales were up 7.5 percent in 2011 compared with 2010. This growth is slightly slower than the level that had been exhibited through October, as the low snowpack levels likely dampened consumer spending levels during the holiday season in the region's resort communities. Figure 60 indexes changes in the region's retail trade sales to changes in consumer

Table 23
Mountain Region Economic Indicators
Chaffee, Clear Creek, Eagle, Gilpin, Grand, Jackson, Lake, Park, Pitkin, Routt, Summit, and Teller Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1	-0.3%	-5.8%	-3.6%	0.5%	2.2%
Unemployment Rate /1 (2012 Figure is March Only)	4.0%	7.5%	9.0%	7.5%	7.2%
Housing Permit Growth /2	-18.4%	-49.2%	-17.6%	2.9%	29.7%
Growth in Value of Nonresidential Construction /2					
Value of Projects	-27.5%	-73.5%	33.3%	196.2%	-91.2%
Square Footage of Projects	-53.7%	-83.1%	76.2%	169.0%	-93.1%
Level (1,000s)	972	164	290	779	9
Number of Projects	-34.3%	-24.6%	2.0%	-12.0%	14.3%
Level	65	49	50	44	6
Retail Trade Sales Growth /3	-1.5%	-16.3%	4.9%	7.5%	N/A

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

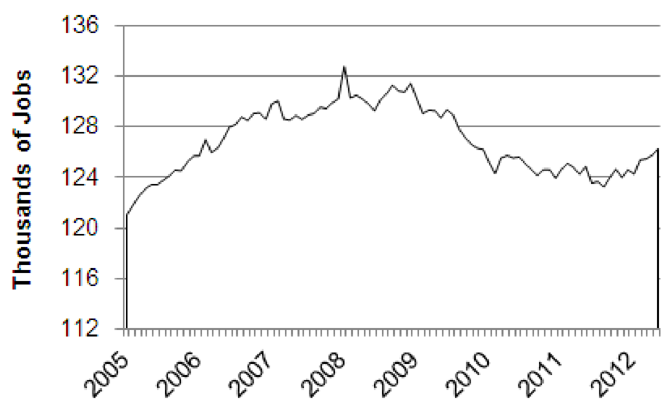
2/ F.W. Dodge. Data through April 2012. Prior forecasts reported Eagle, Pitkin & Summit Counties and Routt County separately.

3/ Colorado Department of Revenue. Seasonally adjusted. Data through January 2012.

spending in the nation and the state. After increasing faster than the nation and the state in the latter part of 2010, regional retail trade growth flattened through 2011.

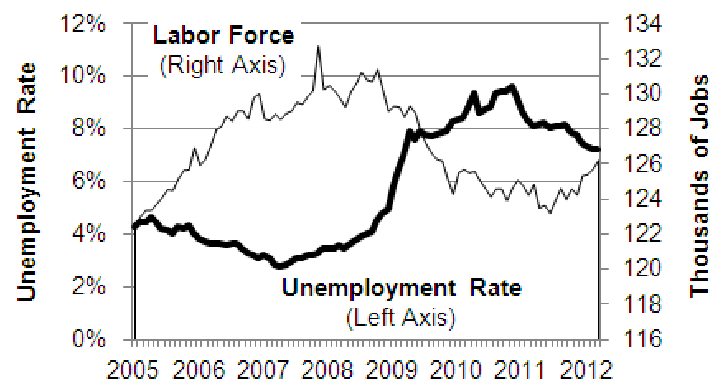
The regional construction market is mixed. The housing market continues to improve. After seven consecutive years of decline, the number of regional housing permits was up 2.9 percent in 2011. Moreover, in the first three months of 2012, the number of residential permits was up 29.7 percent compared with the first three months of 2011. In contrast, after increasing in 2011, nonresidential construction, has declined sharply during the first quarter compared with a similar period a year earlier. Figure 61 shows nonresidential construction, measured both in terms of projects and total value for the mountain region.

Figure 58
Mountain Region Nonfarm Employment
Seasonally Adjusted



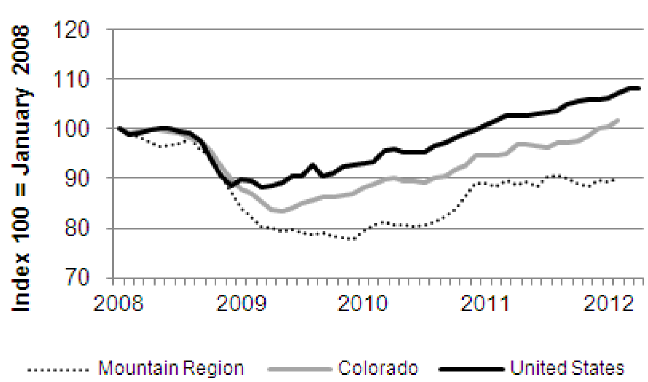
Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 59
Mountain Region Unemployment Rate and Labor Force
Seasonally Adjusted



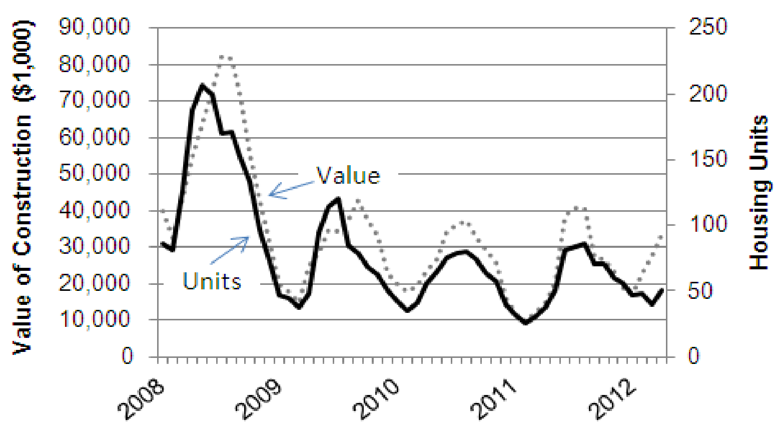
Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 60
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted Annualized Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau.
Colorado data through February 2012; U.S. data through April 2012.

Figure 61
Mountain Region Non Residential
Building Permits: Square Feet
Three-Month Moving Average; Non Seasonally Adjusted Data



Source: F.W. Dodge. Data through April 2012.

Eastern Region

The agricultural industry is healthy in Colorado and continues to drive economic growth in the eastern region. The industry has been aided by high beef and crop prices at the state and national levels. Job growth in the region is also posting gains and the unemployment rate is much lower than the statewide average. Table 24 shows economic indicators for the region.

Nonfarm employment in the eastern region grew 3.6 percent through the first three months of the year after growing 2.6 percent in 2011. Job growth in the eastern region is outpacing other areas of the state. It is important to note that these job growth statistics are based on nonfarm employment data that are not affected by the positive influence of the agricultural industries in the region. Although statistics are not available, it is likely that the agricultural industry contributed positively to job growth

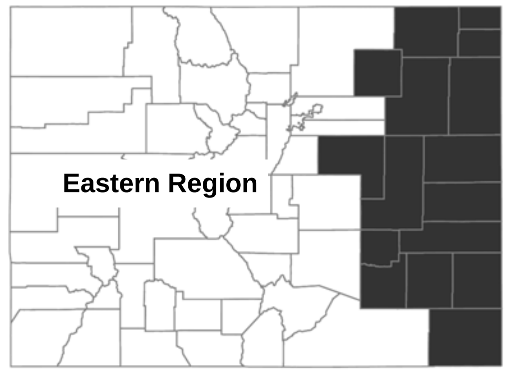


Table 24
Eastern Region Economic Indicators
Logan, Sedgwick, Phillips, Morgan, Washington, Yuma, Elbert, Lincoln, Kit Carson, Cheyenne, Crowley, Kiowa, Otero, Bent, Prowers, and Baca Counties

	2008	2009	2010	2011	YTD 2012
Employment Growth /1	-3.6%	5.3%	-3.6%	2.6%	3.6%
Unemployment Rate /1 (2012 Figure is March Only)	4.3%	6.0%	6.7%	5.8%	5.7%
Crop Price Changes /2					
Wheat	10.1%	-32.5%	-23.9%	-1.3%	-23.9%
Corn	4.5%	-10.9%	3.0%	25.8%	3.0%
Alfalfa Hay (Baled)	18.0%	-20.7%	82.1%	84.6%	82.1%
Dry Beans	14.7%	-9.5%	70.2%	76.7%	70.2%
State Crop Production Growth /3					
Sorghum production	-18.9%	50.0%	4.5%	-17.0%	4.5%
Corn	-6.8%	9.5%	-1.3%	-11.3%	-1.3%
Winter Wheat	-37.8%	71.9%	18.3%	-26.2%	18.3%
Sugar Beets	-0.9%	27.0%	9.2%	-2.3%	9.2%
State Cattle and Calf Inventory Growth /4	1.9%	-5.5%	-6.4%	4.0%	-6.4%
Retail Trade Sales Growth /5	6.2%	-12.5%	9.9%	13.7%	N/A

NA = Not Available.

1/ U.S. Bureau of Labor Statistics. LAUS (household) survey. Seasonally adjusted. Data through March 2012.

2/ National Agricultural Statistics Service. Price changes reflect April 2012 over prior year.

3/ National Agricultural Statistics Service. 2012 crop price changes compare April 2012 to the prior year. Estimates for state crop production are year over year for annual figures. 2012 estimates are for acres planted rather than production quota and compares acres planted in 2012 to the prior year.

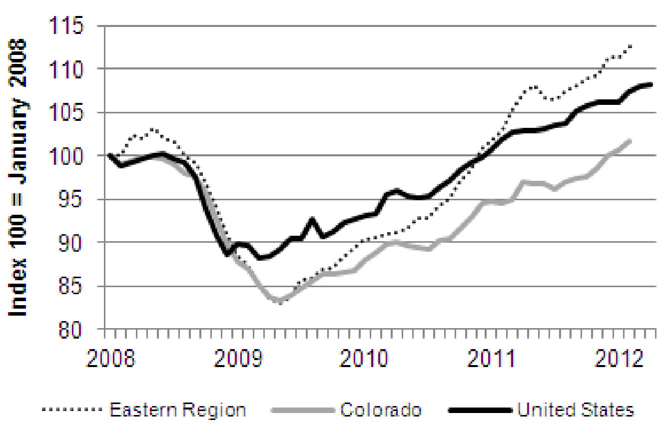
4/ National Agricultural Statistics Service. Cattle and calves on feed for the slaughter market with feedlot capacity of 1,000 head or larger compares year-to-date May 2012 over prior year period in 2011.

4/ Colorado Department of Revenue. Seasonally adjusted. Data through 2011.

Figure 62
Eastern Region
Unemployment Rate and Labor Force
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics; LAUS. Data through March 2012.

Figure 63
Retail Trade Trends Since January 2008
Index 100 = January 2008
Three-Month Moving Average; Seasonally Adjusted
Nominal Data



Source: Colorado Department of Revenue and U.S. Census Bureau. Colorado data through February 2012. U.S. data through April 2012.

during the year. As shown in Figure 62, the region's unemployment rate was 5.7 percent in March, slightly lower than the 5.8 percent rate in 2011 and much lower than the statewide rate of 7.8 percent in March.

The region's agricultural industry is stable and continues to benefit from ongoing demand for high crop prices. Winter wheat has been the primary driver, as prices were $7.71 per bushel in April 2011 and have since decreased 23.9 percent to $5.87 per bushel in April 2012. Prices continued to edge up for other crops in 2012. Corn prices increased 3.0 percent, Alfalfa Hay prices rose 82.1 percent, and dry beans were up 70.2 percent in April 2012. Cattle inventory fell 6.4 percent in May 2012 from the prior year period.

The Eastern region experiences different economic trends than the more urban areas of the state because of the heavy influence of agricultural industries. Consumers in the region increased spending at rates faster than both the nation and the state in 2010. Figure 63 compares changes in the region's consumer spending, as measured by retail trade sales, to changes in consumer spending in the nation and the state. Spending continued to post strong growth through 2011, with a 13.7 percent increase in 2011, one of the fastest growth rates in the state.

Appendix A
Historical Data

National Economic Indicators

(Dollar Amounts in Billions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Domestic Product	$8,332.4	$8,793.5	$9,353.5	$9,951.5	$10,286.2	$10,642.3	$11,142.2	$11,853.3	$12,623.0	$13,377.2	$14,028.7	$14,291.5	$13,939.0	$14,526.5	$15,094.4
percent change	6.3%	5.5%	6.4%	6.4%	3.4%	3.5%	4.7%	6.4%	6.5%	6.0%	4.9%	1.9%	-2.5%	4.2%	3.9%
Real Gross Domestic Product (inflation-adjusted, chained to 2005)	$9,845.9	$10,274.7	$10,770.7	$11,216.4	$11,337.5	$11,543.1	$11,836.4	$12,246.9	$12,623.0	$12,958.5	$13,206.4	$13,161.9	$12,703.1	$13,088.0	$13,315.3
percent change	4.5%	4.4%	4.8%	4.1%	1.1%	1.8%	2.5%	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.5%	3.0%	1.7%
Unemployment Rate	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	9.0%
Inflation (Consumer Price Index)	2.3%	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%
10-Year Treasury Note	6.4%	5.3%	5.6%	6.0%	5.0%	4.6%	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%
Personal Income	$7,000.7	$7,525.4	$7,910.8	$8,559.4	$8,883.3	$9,060.1	$9,378.1	$9,937.2	$10,485.9	$11,268.1	$11,912.3	$12,460.2	$11,930.2	$12,373.5	$12,991.2
percent change	6.2%	7.5%	5.1%	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%	5.7%	4.6%	-4.3%	3.7%	5.0%
Wage and Salary Income	$3,876.6	$4,181.6	$4,460.0	$4,827.7	$4,952.2	$4,997.3	$5,139.6	$5,425.7	$5,701.0	$6,068.9	$6,421.7	$6,550.9	$6,270.3	$6,408.2	$6,668.2
percent change	7.2%	7.9%	6.7%	8.2%	2.6%	0.9%	2.8%	5.6%	5.1%	6.5%	5.8%	2.0%	-4.3%	2.2%	4.1%
Nonfarm Employment (millions)	122.8	125.9	129.0	131.8	131.8	130.3	130.0	131.4	133.7	136.1	137.6	136.8	130.8	129.9	131.4
percent change	2.6%	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.2%

Sources: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Board.

Colorado Economic Indicators
(Dollar Amounts in Millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nonagricultural Employment (thous.)	1,979.7	2,056.9	2,132.1	2,214.3	2,227.1	2,184.7	2,152.5	2,179.3	2,225.9	2,279.7	2,331.0	2,350.4	2,245.2	2,222.4	2,255.8
percent change	4.1%	3.9%	3.7%	3.9%	0.6%	-1.9%	-1.5%	1.2%	2.1%	2.4%	2.3%	0.8%	-4.5%	-1.0%	1.5%
Unemployment Rate (%)	3.4	3.6	3.1	2.8	3.8	5.6	6.1	5.6	5.1	4.3	3.8	4.8	8.1	8.9	8.4
Personal Income	$110,110	$120,100	$130,663	$147,056	$156,468	$157,752	$159,918	$168,587	$179,695	$194,390	$205,242	$215,952	$205,437	$213,202	$225,591
percent change	8.2%	9.1%	8.8%	12.5%	6.4%	0.8%	1.4%	5.4%	6.6%	8.2%	5.6%	5.2%	-4.9%	3.8%	5.8%
Per Capita Income	$27,402	$29,174	$30,919	$33,986	$35,355	$35,131	$35,312	$36,849	$38,795	$41,181	$42,724	$44,164	$41,317	$42,226	$44,088
percent change	5.5%	6.5%	6.0%	9.9%	4.0%	-0.6%	0.5%	4.4%	5.3%	6.2%	3.7%	3.4%	-6.4%	2.2%	4.4%
Wage and Salary Income	$62,754	$69,862	$76,643	$86,416	$89,109	$88,106	$89,284	$93,619	$98,902	$105,833	$112,962	$116,991	$112,633	$114,344	$119,655
percent change	9.2%	11.3%	9.7%	12.8%	3.1%	-1.1%	1.3%	4.9%	5.6%	7.0%	6.7%	3.6%	-3.7%	1.5%	4.6%
Retail Trade Sales	$45,142	$48,173	$52,609	$57,955	$59,014	$58,850	$58,689	$62,288	$65,492	$70,437	$75,329	$74,760	$66,345	$70,738	$75,548
percent change	5.9%	6.7%	9.2%	10.2%	1.8%	-0.3%	-0.3%	6.1%	5.1%	7.5%	6.9%	-0.8%	-11.3%	6.6%	6.8%
Housing Permits	43,053	51,156	49,313	54,596	55,007	47,871	39,569	46,499	45,891	38,343	29,454	18,998	9,355	11,591	13,831
percent change	4.7%	18.8%	-3.6%	10.7%	0.8%	-13.0%	-17.3%	17.5%	-1.3%	-16.4%	-23.2%	-35.5%	-50.8%	23.9%	19.3%
Nonresidential Construction	$3,336	$2,952	$3,799	$3,498	$3,476	$2,805	$2,686	$3,245	$4,275	$4,641	$5,259	$4,117	$3,351	$3,102	$3,781
percent change	31.2%	-11.5%	28.7%	-7.9%	-0.6%	-19.3%	-4.2%	20.8%	31.7%	8.6%	13.3%	-21.7%	-18.6%	-7.4%	21.9%
Denver-Boulder Inflation Rate	3.3%	2.4%	2.9%	4.0%	4.7%	1.9%	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%
Population (thousands, July 1)	4,018.3	4,116.6	4,226.0	4,326.9	4,425.7	4,490.4	4,528.7	4,575.0	4631.89	4,720.4	4,803.9	4,889.7	4,972.2	5,049.1	5,116.8
percent change	2.5%	2.4%	2.7%	2.4%	2.3%	1.5%	0.9%	1.0%	1.2%	1.9%	1.8%	1.8%	1.7%	1.5%	1.3%

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and F.W. Dodge.
NA = Not Available.